



PROFILE

With a fleet of 227 ships and an annual transport volume of 11.9 million TEU, Hapag-Lloyd is one of the world's leading shipping companies. We offer reliable transport solutions to our customers in 128 countries around the world. These include container transport by sea, as well as door-to-door transport. With around 12,800 employees, we are on hand locally to serve our customers around the world.

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GATHERING PACE TOGETHER

We know that a sustainable strategy provides the foundation for long-term success. The key contributors to our success are the people who live by this strategy. Our employees do that – every day, all over the world.





“WE WANT TO BE THE NUMBER ONE CARRIER FOR DIGITAL SERVICES.”

Our staff from the areas of DCIU, IT, Sales and Trade Management work together closely in order to digitise our products. From a shared digital platform, we are able to specifically improve our products and address our customers' requirements more effectively.

**DR RALF BELUSA,
MANAGING DIRECTOR, DIGITAL CHANNEL
AND INCUBATION UNIT (DCIU)**

Dr Ralf Belusa has been Head of Hapag-Lloyd's Digital Channel and Incubation Unit (DCIU) since November 2017. He has worked as a consultant for leading e-commerce, marketing and space technology companies, and this expertise has helped to enhance our digitalisation strategy.



“ALPHA HELPS US TO ACHIEVE LEADERSHIP EXCELLENCE ON A BROAD SCALE.”

With ALPHA (the Agile Leadership Programme at Hapag-Lloyd), we are consistently pursuing the path of innovative leadership and strengthening our management culture. We train true leaders who can pursue a vision, table the issues that are important to them and motivate their teams. In the competition for the best of the best, this is a real advantage for us.

**NICOLE ANG,
DIRECTOR BUSINESS ADMINISTRATION
(AREA SOUTH EAST ASIA)**

Nicole Ang is one of thirteen members of the ALPHA programme, which was launched in 2018 to selectively promote our managers. The three-year programme provides her with a structured and goal-oriented framework for her career path at Hapag-Lloyd.







“WE WANT TO DRIVE MARITIME ENERGY REFORM WITH HAPAG-LLOYD.”

The Paris climate targets affect all of us. The shipping industry also needs – and wants – to play its part in reducing emissions that are damaging to the environment. As the first shipping company in the world to convert a 15,000 TEU ship to natural gas, Hapag-Lloyd is at the forefront of maritime energy reform. We are proud to implement this groundbreaking project.

**DR UWE LAUBER,
CEO OF MAN ENERGY SOLUTIONS SE**

Dr Uwe Lauber is CEO of MAN Energy Solutions SE and also performs the role of Chief Technical Officer. MAN wants to make a long-term contribution to energy reform through its partnership with Hapag-Lloyd AG.



“OUR OCCUPATIONAL SAFETY MANAGEMENT SYSTEM ENSURES THAT OUR FLEET OPERATIONS ARE SAFE.”

In order to counteract the various dangers that occur when working on the open sea, comprehensive safety measures are needed. Fleet Management’s occupational safety management system was certified in accordance with OHSAS 18001 last year.

This certification represents not just the safety of our employees, but also smooth on-board workflows that our customers can rely on.

CAPT. SOPHIA LAUX
DIRECTOR FLEET MANAGEMENT SYSTEMS

Sophia Laux is responsible for the certification of our occupational health and safety management system in accordance with OHSAS 18001. Planning, monitoring and implementation of the system are part of her field of activity. We continuously optimise our processes and can guarantee compliance with the high safety standards at sea.







“WITH THIS PROJECT, WE ARE BRINGING HOPE TO HAITI.”

In 2018, our employees in Canada assisted with the “Hope for Haiti” project for the eighth time. With our partners, we shipped school materials and furniture as well as sports equipment in two 40-foot containers from Toronto in Canada to Jacmel in southern Haiti. With these supplies, our aim is to give hope to young people there and, in particular, provide them with an opportunity to access education.

**COLLIN PACHECO,
ACCOUNT EXECUTIVE, SALES
(AREA CANADA)**

Collin Pacheco, member of our sales team in Canada, played a key part in the success of the “Hope for Haiti” project. In 2018, he coordinated the collection and transportation of aid supplies.

**“IN KEEPING WITH
OUR OWN GOALS, WE
WILL REDUCE OUR
SPECIFIC CO₂ EMISSIONS
PER TEU-KILOMETRE
BY 20% BY 2020 AS
COMPARED WITH 2016
FIGURES.”**

**ROLF HABBEN JANSEN,
CHAIRMAN OF THE EXECUTIVE BOARD**

FOREWORD OF THE EXECUTIVE BOARD

– 102-14



Ladies and gentlemen,

With nearly 12 million containers (TEU) transported and a fleet of 227 ships, Hapag-Lloyd is one of the biggest liner shipping companies in the world. Every day, our approximately 12,800 employees make a passionate commitment to a well-functioning global trade network – after all, 90% of all goods are transported by ship today. Without efficient transportation via container ship, the global exchange of goods to this extent would be simply impossible. We have a significant responsibility towards our business partners and are strongly committed to sustainable business practices, for we are not only a professional logistics company; we see ourselves as a member of society.

During the reporting year, we carefully reviewed our future plans and developed a new corporate strategy. The focus of our Strategy 2023 is to become no less than number one in terms of quality. We will only be able to achieve this if we continue to scrutinise ourselves and adapt to new situations – including those that deal with sustainability. In doing so, we are guided by the clearly defined principles of our Global Code of Ethics, which form the framework for a fair, moral and ethical approach to our interest groups.

We continued to push ahead with our sustainability activities through a whole host of initiatives in 2018. For example, our combined quality and environmental management (QEM) system was once again certified to ISO standards. Furthermore, Hapag-Lloyd was included in the “Qualship 21” programme of the United States Coast Guard as a result of its particularly high quality standards. This very special accolade underscores both our commitment to achieving the highest safety standards on board and the quality of our fleet. At the end of the year, we also launched the Ship Recycling Transparency Initiative (SRTI) online platform, which we co-founded. The platform aims to increase transparency regarding ship recycling practices and thus establish a globally standardised process that takes into account all relevant environmental aspects.

Thanks to the modernisation of our fleet and various efficiency measures, last year we were once again able to effectively reduce our average fuel consumption. Ongoing investments in our ships and the responsible use of equipment will continue to be major areas of focus in terms of environmental and climate protection. On the one hand, we support the ambitious International Maritime Organization (IMO) goal of reducing absolute greenhouse gas emissions by 2050 by 50% compared with 2008 figures. On the other hand, in keeping with our own goals, we will reduce our specific CO₂ emissions per TEU-kilometre by 20% by 2020 as compared with 2016 figures.

One enormous challenge for all shipowners, including us, is a new IMO directive that will enter into force on 1 January 2020 and will reduce the maximum sulphur content of ship fuels from 3.5% to 0.5%. This directive will significantly improve the shipping industry’s environmental footprint. Low-sulphur fuels are a key solution for us as we continue complying with legal requirements. We are also testing other emission-reducing technologies which may present options for a small portion of our fleet. For example, we are converting the world’s first container ship to run on liquefied natural gas (LNG) and are installing exhaust gas treatment systems.

We will not cease the expansion of our involvement. We will continue to focus on implementing our strategic agenda, creating added value for our owners and customers while we further our entrepreneurial and sustainable approach.

We warmly invite you to find out more about the other areas we’re involved in, and hope you enjoy reading our sustainability report.

Hamburg, 20 March 2019

Sincerely,



Rolf Habben Jansen
(Chief Executive Officer)

ABOUT THIS REPORT

– 102-1, 102-5, 102-45, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54

This is the second sustainability report (SR) issued by the Hapag-Lloyd Group and Hapag-Lloyd AG. It contains the combined separate non-financial report (NfR). In line with the requirements of the German CSR Guideline Implementation Act (CSR-RUG), the statements complete the financial reporting of Hapag-Lloyd with disclosures on significant non-financial aspects in accordance with Sections 315b and 315c in conjunction with 289b to 289e of the German Commercial Code (HGB). – NfR

The sustainability report provides extensive information about the Group's sustainability activities and goes beyond the legal requirements. All disclosures which are part of the NfR and serve to ensure compliance with CSR-RUG are marked "NfR". – NfR

Unless otherwise indicated, all disclosures in this report relate to the entire group of consolidated companies.

The group of consolidated companies, which comprises Hapag-Lloyd AG companies and affiliated consolidated companies, is listed in the 2018 annual report, p. 178 ff. – NfR

The group of consolidated companies also comprises the companies of UASC Ltd. (United Arab Shipping Company). They were included in the consolidated financial statements of Hapag-Lloyd AG at the time of the transfer of control on 24 May 2017. As a result, the financial indicators for 2017 presented in the NfR can only be compared to the 2016 and 2018 figures to a limited extent. – NfR

References to disclosures outside the Group management report constitute additional information and are not part of the NfR. – NfR

INDEX ON THE NON-FINANCIAL REPORT

CSR-RUG RELEVANT REPORT CONTENTS IN THE SUSTAINABILITY REPORT 2018

		CHAPTER	PAGE
Description of the business model		Hapag-Lloyd	06–08
Environmental aspects	Low-sulphur fuel	Environmental and climate protection	61–63
		Supply chain	72
	Reduction of environmental effects	Health and safety	47–48
		Environmental and climate protection	65
	Increasing efficiency through technology	Environmental and climate protection	60–61
	Supply chain	73	
	Measures to reduce emissions	Digitalisation and digital security	52–53
		Environmental and climate protection	58–63
Employee aspects	Training and education	Employees	26–27, 32–34
	Occupational health and safety	Health and safety	38, 40–44, 47–48
Combating bribery and corruption and upholding human rights	Competition law	Hapag-Lloyd	20–23
	Compliance with laws and regulations (including human rights)	Hapag-Lloyd	20–23
Data protection	Data protection	Digitalisation and digital security	54–56

The social requirements under CSR-RUG are of major importance to Hapag-Lloyd but do not fulfil the materiality criteria of CSR-RUG.

An essential connection relevant for understanding the amounts in the consolidated financial statements and the Group management report was not established. – NfR

The topic of supply chain refers to all aspects which have been identified as being subject to mandatory reporting; the topic itself, however, does not require reporting. Instead, it is addressed in a separate chapter that is not part of the NfR. – NfR

The NfR is published every year in English and German on the Hapag-Lloyd website. In it, Hapag-Lloyd reports on the progress made in the financial year under review, from 1 January to 31 December. This NfR concerns the 2018 financial year. – NfR

The content of the NfR was subjected to a voluntary operational audit in accordance with ISAE 3000 (Revised) with limited assurance by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The audit assignment and result can be found in the Independent practitioner's report on a limited assurance engagement on non-financial reporting at the end of this SR. The NfR is based on the internationally recognised Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards). We based our reporting on GRI Standard 103 as regards the presentation of concepts for the NfR-related aspects. Non-financial indicators based on the relevant GRI Standards have also been reported for these aspects wherever such standards exist. Some of the content of the report is marked for the NfR as well as for the GRI Standards. This content was not checked against the requirements of the GRI Standards. – NfR

In 2018, we were guided for the first time by the United Nation's (UN) Sustainable Development Goals (SDGs). The SDGs that are relevant to us are presented via the SDG icons at the start of each chapter.

The information was requested electronically and the data were predominantly recorded using area-specific software. It is not yet possible to present a three-year trend for many of the indicators, although the aim is to achieve this in the future. When adding up data, rounding differences may occur. All forward-looking statements in the NfR are based on the assumptions valid at copy deadline. Due to unknown risks, uncertainties and other factors, the actual results, developments or performance of the company may differ from our forecasts, assessments and announcements (see Management report, p. 55 ff.). – NfR

To ensure legibility, we do not use gender-specific double pronouns in the NfR. This is not intended as indicative. All pronouns should be regarded as gender-neutral. – NfR

The statements on the group of consolidated companies and on the reporting period as well as on the gathering of information and on legibility also apply to the SR.

Our assessment is that sustainability reporting complies with the requirements of the Core Option of the GRI Standards.

You can find further information at [Hapag-Lloyd.com/en](https://www.hapag-lloyd.com/en) and in the annual report. The next sustainability report is scheduled for publication in April 2020.



HAPAG-LLOYD



COMPREHENSIVE QEM SYSTEM RECERTIFIED ONCE AGAIN

The Hapag-Lloyd quality and environmental management (QEM) system once again achieved double certification according to the ISO standards 9001:2015 and 14001:2015 in 2018. The Middle East region was included for the first time after implementing our QEM system within a very short time frame. The scope of the certification is really remarkable since the QEM includes all activities of our door-to-door transport worldwide.

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OUR PROFILE

Thanks to its many years of experience, growing market coverage and wide service network, Hapag-Lloyd is a strong global partner. We are one of the world's leading container liner shipping companies – a position that we have been able to build on with two successful mergers in recent years. With our new Strategy 2023, we are continuing to pursue this path. – NfR

OVERVIEW OF THE GROUP

Its global market coverage, transported container volume and transport capacities make Hapag-Lloyd one of the world's leading container liner shipping companies. Specifically, our core business is the shipping of containers by sea. We also offer door-to-door transport services around the world and support our customers with pre-carriage and on-carriage by inland waterway, rail and road, thanks to our many years of experience. In doing so, we always make sure that we use the most sustainable mode of transport. The transport of non-containerised cargo is also part of our service portfolio. Our high quality standards

are maintained thanks to our long-term partnerships and proven suppliers. – NfR – 102-2

Since the company was founded in 1847, the Hapag-Lloyd headquarters have been located in Hamburg. Today, around 12,800 employees (Hapag-Lloyd AG: around 3,400 employees) work with us in 57 countries. We dispose of 227 modern container ships (previous year: 219) and have an annual transport volume of around 11.9 million TEU. Globally, we operate 119 liner services, which enable us to offer fast and secure connections.

– NfR – 102-3, 102-7

STRUCTURE OF HAPAG-LLOYD'S CONTAINER SHIP FLEET

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
	Hapag-Lloyd Group				
Number of vessels	227	219	166	177	191
thereof					
Own vessels	95	102	72	68	77
Leased vessels	17	14	3	3	5
Chartered vessels	115	103	91	106	109
Aggregate capacity of vessels (TTEU)	1,643	1,573	963	966	1,009
Aggregate capacity of containers (TTEU)	2,559	2,349	1,576	1,564	1,619
Number of services	119	120	128	121	119

The data for 2017 relates to Hapag-Lloyd's fleet, including UASC (United Arab Shipping Company). The figures from 2014 onwards relate to Hapag-Lloyd's fleet, including the container activities acquired from CSAV (Compañía Sud Americana de Vapores).

Our services

Around the world, our 407 sales offices (previous year: 387) managed transports for around 30,200 customers in the 2018 financial year (previous year: around 32,400). – NfR – 102-2, 102-6

We ship goods from eleven product categories, from food to engineering products. The transport volume is divided

evenly between the product categories, with the smallest category accounting for 5% of the transport volume and the biggest category accounting for 16%. This makes our business relatively unaffected by economic cycles within individual industries, allowing us to maintain steady growth under normal economic conditions. – NfR

WORLDWIDE DOOR-TO-DOOR CONTAINER TRANSPORT



GROUP RESTRUCTURING AND MERGERS

– 102-10

We are active in five regions: Asia, the Middle East, Europe, North America and Latin America. We have divided these into 35 areas. In order to further optimise our coverage of the Middle East region after the merger with UASC (United Arab Shipping Company), these areas have been revised. From 2019, there will be four areas in the region instead of five. – 102-4, 102-6, 102-7

Hapag-Lloyd has partially bundled its customer service business in China (see Employee retention, p. 29 ff.) and the US. The bundling in each location makes it possible to concentrate expertise in what are known as Quality Service Centers. All sales functions remain the responsibility of the various branches. Due to the size of the units, we are able to significantly improve our training, representation and coverage of spikes in workload. The relevant bundling was also initiated at the end of the reporting year in the Middle East region.

The activities initiated by the UASC merger were largely completed in the previous year. In 2018 we also successfully moved offices, winding up the UASC business (including accounting) and merging local legal entities.

The process was gratifyingly smooth thanks to the open corporate cultures and communication between the companies involved. The dialogue between the management on both sides was professional and constructive right from the start. The staff at each company were also broadly accepting of each other’s culture (see Open corporate culture, p. 35 f.). This made the merger of the two organisations run much more smoothly.

In addition, we facilitated the merger with specific training sessions on our processes and systems, as well by providing active support in daily working life. In this way, we were able to ensure that all of our staff were able to offer our customers the services to which they are accustomed. The cooperation with our new colleagues was also fostered by team-building and company events. The highlight in 2018 was the Hapag-Lloyd football tournament, which saw employees from around the world meet in Hamburg.

The recent mergers have enabled us to expand our comprehensive range of services for our customers, as well as our presence on all the main East–West and North–South routes.

The successful merger of three shipping companies within such a short period of time was only possible with dedicated and expert staff, as well as a systematic organisation working in line with a scalable blueprint. The blueprint is implemented globally and ensures the same organisational structures and units within each of the areas. This means that newly established units – as the Saudi Arabia area is already showing with great success – are already in a position to push ahead with pilot projects concerning major future issues, such as digitalisation.



New Group strategy: Strategy 2023

The primary aim of our business is to ensure long-term profitable growth. We measure this on the basis of the development of transport volume and the key performance indicators of EBITDA and EBIT. To support this goal, the Executive Board presented the new Group strategy, Strategy 2023, in November 2018. The strategy forms the operational guideline for Hapag-Lloyd to follow in the coming years in order to achieve organic growth. – NfR

Major aspects of the strategy include securing its position as a global player and establishing Hapag-Lloyd as the quality leader that sets industry standards in terms of reliability and service. In order to be able to measure the success of the targets defined in Strategy 2023, we have supplemented previously established financial indicators with non-financial performance indicators. – NfR

We will review the extent to which we are able to meet our aim of being a quality leader using the Net Promoter Score (NPS), an indicator that refers to customer loyalty. Furthermore, we will also analyse the degree to which we are able to keep our punctuality promise. In order to support the punctuality of our deliveries, we will define punctuality levels and create the technical framework to be able to measure and report on these in a standardised way. We also want to be able to meet specific customer requirements with more tailored premium products in future. To this end, we will be expanding our product portfolio (see Customer focus, p. 75 f.). – NfR

The new strategy also provides for a further increase in profitability across the entire transport route. Together with our partners, we want to increase the proportion of door-to-door business by 2023. In doing so, we are relying more heavily on partnerships, for instance, in the procurement of transport services. We will be further standardising and optimising processes and systematically improving the qualifications of our staff (see Procurement organisation, p. 68 f.). – NfR

In addition, we aim to further increase the agility of the organisation so that Hapag-Lloyd is better placed to react quickly to spontaneous changes on the market. For us, agility means a keen willingness to learn, flexibility in project development and openness to new forms of cooperation. – NfR

We are underlying our efforts to improve cost structures and increase service quality with consistent digitalisation. By using new technologies and pushing ahead with automation, we are continually optimising our internal processes and systems. By 2023, we want to be booking at least 15% of the Group's total volume through the Web Channel (see Customer focus, p. 75 f.). – NfR

As a company with a tradition of environmental awareness, it will also remain a given that we will continue to comply with stricter environmental requirements in the years to come, and that we will implement the necessary technical and organisational changes with the greatest care. The International Maritime Organization (IMO) will be implementing a new directive for a global upper limit for sulphur of 0.5% for marine fuels by 1 January 2020, for example (see Climate protection and reduction of emissions, p. 62 ff.). – NfR

Strong partner in THE Alliance – 102-7, 102-13

In April 2017, we joined forces with our Asian partners to create THE Alliance – initially for a period of five years. Within the alliance, we were able to serve all major East–West routes with a total of 246 ships (previous year: 244). Thanks to this comprehensive network, the alliance of shipping companies is able to serve 30 routes (previous year: 32) linking 74 major ports worldwide (previous year: 76). We regularly engage in dialogue with our alliance partners in order to ensure the best possible and most flexible use of the ships within the network. Our customers around the world benefit from extensive port coverage, an efficient fleet and fast transit times.

FINANCIAL INDICATORS**Wide-reaching efficiency gains and cost improvements – 102-7, 201/103, 201-1**

We continuously work on making our processes more efficient and achieving cost savings. We already tested our network collaboratively during the transition phase of the merger with UASC in 2017. In doing so, we identified and optimised services in our portfolio that were not profitable or were duplicated. The core services of both shipping companies were continued so as to maintain the existing customer base and expand it in the future.

Through the merger with UASC, Hapag-Lloyd was able to integrate highly efficient ships into its fleet and realise economies of scale. We already achieved the complete cost savings of approximately USD 435 million in 2018 as a result of implementing synergies. The savings resulted from the integration of the service network and the optimised use of the shared fleet, among others.

Positive economic growth – 102-7, 201/103, 201-1

As a result of the merger with UASC, we can now draw on one of the largest and most cutting-edge container shipping fleets in the world. In 2018, our fleet grew from 219 ships to 227. In consequence, our transport capacity increased from 1.57 million TEU to 1.64 million TEU and our total container volume to around 2.56 million TEU. As a result of the merger, our transport volume increased by around 21%, from 9,803 TTEU in the previous year to 11,874 TTEU.

Our revenue increased by 15.5% to EUR 11,515 million (previous year: EUR 9,973 million), while EBITDA for the financial year reached EUR 1,138 million (previous year: EUR 1,055 million). Our operating result (EBIT) of EUR 443.0 million in 2018 was higher than in the previous year (EUR 411.4 million). The freight rate¹ was USD 1,044/TEU in the 2018 financial year, down on the previous year's level of USD 1,060/TEU.

¹ For the FY 2018, revenues for additional services in Latin America and Turkey were included in the calculation of the freight rate. The previous year's figures were adjusted accordingly.

CONSOLIDATED INCOME STATEMENT (EUR MILLIONS) – 201-1

	1.1.–31.12.2018	1.1.–31.12.2017
Revenue	11,515.1	9,973.4
Other operating income	115.1	133.0
Transport expenses	9,396.6	7,989.5
Personnel expenses	659.4	679.8
Depreciation, amortisation and impairment	695.1	643.6
Other operating expenses	479.5	439.1
Operating result	399.6	354.4
Earnings before interest and taxes	443.0	411.4

The figures for the FY 2017 include the UASC Group from the first-time consolidation date of 24 May 2017. Due to the retrospective application of the provisions for designating options, the previous year's values have been adjusted. This increased the Group profit for FY 2017 by EUR 0.5 million.

SUSTAINABILITY MANAGEMENT

It is our aim to shape our current business processes in such a way that the opportunities and outlook for future generations are not jeopardised. We therefore take sustainable development as a basis for our business processes and actively promote the sustainable thinking and behaviour of our staff using a wide range of measures. We have also integrated the Sustainable Development Goals (SDGs) of the United Nations into our sustainability report for the first time. – NfR

SUSTAINABILITY STRATEGY AND OBJECTIVES

We take responsibility for our actions and decisions. In our sustainability policy, we have laid out binding guidelines and principles for our activities. In them, we commit to protecting the environment, to providing our customers with the highest quality, to securing satisfactory returns for our owners and to ensuring the health and safety of our employees.

For us, a cornerstone of sustainability is complying with all laws as well as the rules of conduct specified in our Global Code of Ethics. Our management continually develops the Company's strategic direction with an eye towards raising awareness and fulfilling our quality and environmental objectives. As a company, we maintain an active and open dialogue with our stakeholders. This helps us to continually improve our quality, environmental and safety standards (see Hapag-Lloyd, p. 05 ff.).

Our employees are the basis for our success. In order to remain attractive as an employer over the long term, we offer them various options for further training and other benefits (see Employees, p. 25 ff.) as well as a safe and healthy work environment (see Health and safety, p. 37 ff.). In the interest of a healthy employee structure, we have our employee related conditions and processes checked internally and via external audits.

We want to improve our services on an ongoing basis. We do this with the targeted application of digital solutions. For instance, the Digital Channel and Incubation Unit (DCIU) contributes to a significant improvement in processes on the customer side as well as to the successful digital transformation of the company (see Digitalisation and digital security, p. 49 ff.).

We want to preserve our environment. By using the most modern technology, we are able to significantly cut our fleet's CO₂ emissions and actively contribute to environmental protection (see Environmental and climate protection, p. 57 ff.). Furthermore, we prevent potential safety hazards to people, the environment, cargo and our property by taking proactive measures. This also involves us taking a responsible stance in terms of recycling ships.

The high standards that we set ourselves also apply to our suppliers and subcontractors. Together with our business partners, we continually seek solutions for improved sustainability in our transport chain (see Supply chain, p. 67 ff.).

With our wide-ranging social involvement, we contribute to society in many different ways above and beyond our direct business activities (see Social, p. 77 ff.).

Since 2007, our Fleet Management has carried "DNV GL Excellence – 5 Stars" certification. Eleven years ago, we were the first container liner shipping company to be awarded this benchmark, which not only requires the implementation of occupational safety measures (MLC 2006 certification) but also certification according to ISO 9001 (quality), ISO 14001 (environment), the ISM (International Safety Management) Code and the ISPS (International Ship and Port Facility Security) Code on preventing maritime hazards. The "DNV GL Excellence – 5 Stars" certification is the first international standard that comprises all of these requirements. It also incorporates standards that go far beyond these international norms and regulations. The certification that was renewed in 2017 is valid until the end of 2019. – NfR

We have continued to expand our sustainability management over recent years and have already made gratifying progress. We will continue to develop our sustainability management in the years to come. In doing so, we must first be consistent with Strategy 2023. In the strategy, we have clearly defined our aspiration to be a quality provider. The quality and environmental management (QEM) system and the corresponding certifications are already contributing to this, for example.

We also want to contribute to the protection of people and the environment beyond our Company borders. For this reason, in 2018, Sustainability Management dealt extensively with the Sustainable Development Goals (SDGs) and their integration in the company.

We analysed in detail how competitors and companies from other industries contribute to achieving the SDGs. Subsequently, we compared the existing activities, measures and initiatives from a number of our different areas with the content of the SDGs. We wanted to know which positive contribution Hapag-Lloyd makes towards the 17 SDGs and their 169 subgoals. The results of this analysis indicate that we already contribute to the following UN sustainability goals²:

SDG	DESCRIPTION	PAGE
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	32
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	20, 28, 40, 44
	Take urgent action to combat climate change and its impacts	58, 60
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	47, 58, 65
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	20
	Strengthen the means of implementation and revitalise the global partnership for sustainable development	14, 20

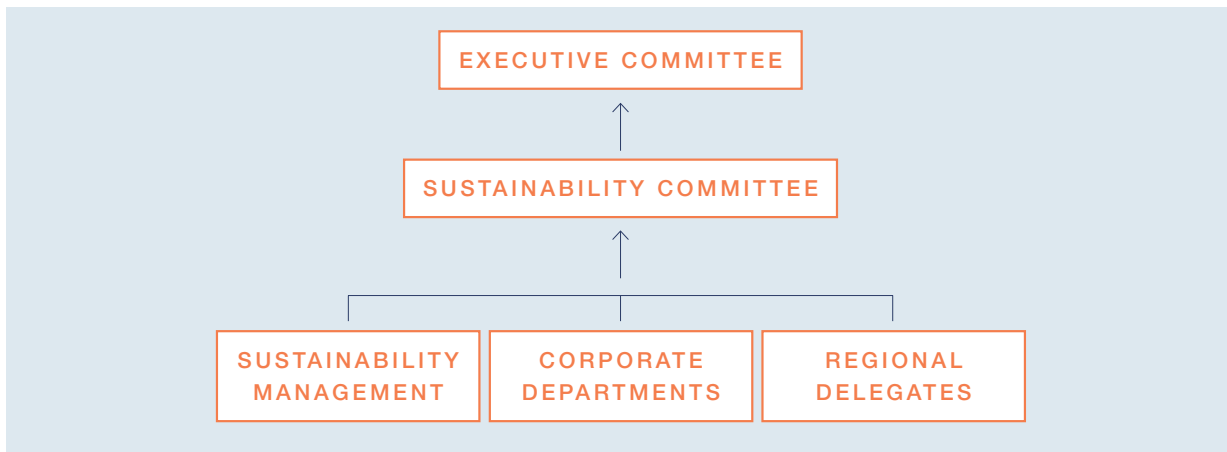
² Notes on the relevant targets are included at the start of each chapter of this report to facilitate location of Hapag-Lloyd's contributions to individual SDGs.

ORGANISATION OF SUSTAINABILITY MANAGEMENT – 102-18

Sustainability Management is responsible for coordinating and supporting all our sustainability activities. From an organisational point of view, it is part of Corporate Development and reports directly to the Executive Board. It

looks after our Group-wide QEM system, is responsible for certifications in accordance with ISO 9001 and 14001 and is in charge of preparing the Group's sustainability report. Furthermore, Sustainability Management responds to customer enquiries about sustainability topics and coordinates internal working groups on sustainability-related topics. – NfR

HAPAG-LLOYD'S ORGANISATION OF SUSTAINABILITY MANAGEMENT – NfR



In 2018, around 88% (Hapag-Lloyd AG: 77%) of all possible departments³ were certified in accordance with ISO 9001 and 14001 – which together form the Hapag-Lloyd QEM certificate. This means that, among other things, the complete management of container liner service activities is certified. This share decreased compared to the previous year due to the fact that some organisational units were still relatively new at the time the certificate was issued. Here, a future certification is planned. In addition, a statutory audit of the annual and consolidated financial statements takes place every year. Parts of our central Finance department provide material needed for the audit and are therefore not integrated into the QEM system. – NfR

more than 130 contact partners (Hapag-Lloyd AG: more than 60) support the Sustainability Management team at headquarters through their activities. – NfR

Around 88%

of the departments have a QEM certificate. – NfR

Globally, we have established QEM delegates in the regions, areas or central departments, as well as on board our ships, who are responsible for the coordination of QEM and other sustainability activities. These

We integrate new regions, areas, locations and ships into the QEM system in a timely manner. To ensure that these also meet our high quality and sustainability standards, the responsible employees are trained accordingly. We were thus able to integrate the new Middle East region and other areas into the QEM system within the context of recertification in 2018. Annual monitoring audits will take place in the following two years for the certificates valid until 2021. – NfR

³ The Fleet Management department is already covered by the "DNV GL Excellence – 5 Stars" certification and is therefore not included in the assessment.

As part of the annual audit, topics such as occupational safety, customer focus, employee training and evaluation of service providers are monitored. The specialist departments are responsible for further, customised sustainability topics. The 2018 audits confirmed that the requirements of the ISO standards 9001 and 14001 updated in 2015 are being implemented successfully. We immediately attended to minor areas for improvement that were identified in the detailed breakdown. – NFR

The Sustainability Management team regularly informs the heads of division and regional representatives – the Sustainability Committee – about ongoing sustainability activities. The committee assists with efforts to identify

sustainability opportunities and risks, promotes the sharing of information across divisions and is involved in coordinating sustainability-related measures. In 2018, the specialist departments involved engaged in a dialogue about the updated quality and environmental management (QEM) manual and the new QEM training programme. The scope and timetable of the audit carried out by DNV GL later in the year were also discussed. A presentation was also made on how the first sustainability report implemented the requirements of the German CSR Guideline Implementation Act (CSR-RUG). The Head of Corporate Development chairs the meeting and reports directly to the Executive Committee, which the Executive Board is part of. – NFR



SIGNIFICANT ISSUES AND RISKS

Developments in society, the environment and the global economy influence our business and our corporate decisions. Structured observation of them is an important tool for the corporate management of Hapag-Lloyd and enables us to identify key topics and risks. – NfR



Together with our internal and external stakeholders, we carried out an assessment of the materiality of sustainability topics for this NfR and SR (see Material topics, p. 15 ff.). In addition, we used the net method to examine whether there are any relevant risks⁴ from the perspective of our Group risk management system and what the relevant risks are (see Risk management, p. 14). If a relevant risk is identified, the topic must be classified as material. No further material topics were identified for the NfR or SR in the risk analysis. – NfR

RISK MANAGEMENT – 102-11

The long-term success of Hapag-Lloyd is directly dependent on the early identification of potential risks and opportunities resulting from our business operations, as well as the proactive management of these risks and opportunities. A prerequisite for this is the integrity of our corporate and risk strategy. Awareness of sustainable approaches and actions with regard to quality, the environment and occupational safety is a fixed component of our corporate policy and thus also our risk policy. – NfR

Risks to the Company's existence will be handled responsibly by means of a Group-wide Hapag-Lloyd risk management system; this is the organisational unit for the identification, analysis, management and control of our corporate risks. – NfR

⁴ Risks are deemed to be relevant if they are associated with Hapag-Lloyd's business activities, business relationships, products or services and are very likely to have serious negative effects on aspects such as the environment or social involvement, for example. Other issues that are relevant for the risk analysis include employee matters, observance of human rights and efforts to combat corruption and bribery.

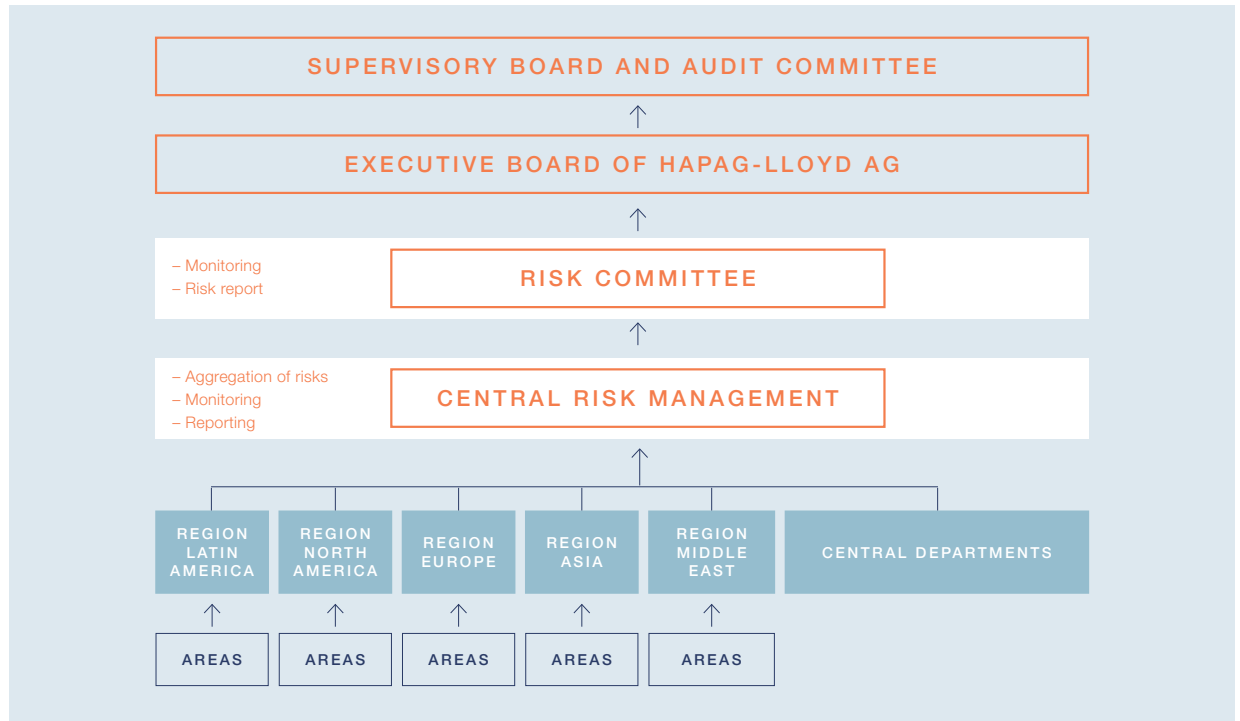
The risk management system

The basis of Hapag-Lloyd's multilevel risk management system are the divisions or regions, which are principally responsible for communicating the relative potential material risks to the company within the organisation. The responsible risk manager must aggregate and evaluate identified risks, and monitor them continuously if risk-mitigating measures are implemented. The risk managers in the regions and specialist departments are experts in their respective areas, and their awareness goes beyond operational risks to include social and ecological aspects (e.g. legal fuel sources, ship recycling and training and education). – NfR

Central Risk Management is responsible for compiling material risks and analysing the risk structure. This aids the Risk Committee as the basis for monitoring the overall risk situation. The Central Risk Management team reports quarterly – or on an ad hoc basis where required – to the Executive Board, which is responsible for safeguarding the efficacy of the risk management system. The Audit Committee monitors the effectiveness of the system at the highest level and reports to the Supervisory Board. – NfR

Our risk management system thus makes a significant contribution towards supporting corporate management in its task of effectively managing increasingly complex risks while considering environmental and social aspects and increasing company value. – NfR

RISK MANAGEMENT AT HAPAG-LLOYD – NfR



Systematic recording and evaluation of non-financial risks

Sustainability Management is currently honing the process for systematically recording and evaluating non-financial risks. To do this, each area issues a risk report about relevant risks. There is an ongoing dialogue with Central Risk Management in order to avoid the development of parallel or different processes and to create synergies. – NfR

MATERIAL TOPICS – 102-42, 102-46

A materiality analysis conducted in preparation for the CSR-RUG in mid-2016 enabled us to identify 26 topics from the areas of social commitment, the environment and economy that are relevant to us. This process benefited from the expertise of Hapag-Lloyd's Sustainability Management team, whose in-depth discussions with various stakeholder groups provided it with a comprehensive overview of the topics that could potentially be material for the Company. We involved more than 200 people from

relevant stakeholder groups in the analysis and asked them about their views of the topics. The stakeholders consisted of employees, suppliers, customers, scientists, shareholders, Works Council members and representatives from the general population and the business community. Within Hapag-Lloyd itself, the QEM delegates and the heads of the specialist departments were surveyed. The three biggest service providers per mode of transport, i.e. terminal, truck, rail and feeder, were selected as relevant suppliers, while contact in day-to-day business and regular communication were key for the other stakeholder groups. The results of the survey were evaluated by our Sustainability Management team and used to create a matrix. In preparation for the sustainability report in the 2018 reporting year, we also checked whether we needed to return to other significant topics. We determined this through dialogue with internal and external stakeholders and also conducted a detailed mid-year competition analysis. As a result, the topics of "customer satisfaction" and "responsible tax policy" were added for 2018. – NfR



This sustainability report⁵ provides extensive information on the topics identified as material. Following another stakeholder survey in 2019, we will review our topic selection and update them if necessary. – NfR

In order to create the NfR, we also identified the topics of relevance to the CSR-RUG. For this, the Sustainability Management team assessed sustainability topics that our business activities have an impact on, and reviewed the significance of aspects for our business. The topics identified during this process form part of the NfR. – NfR

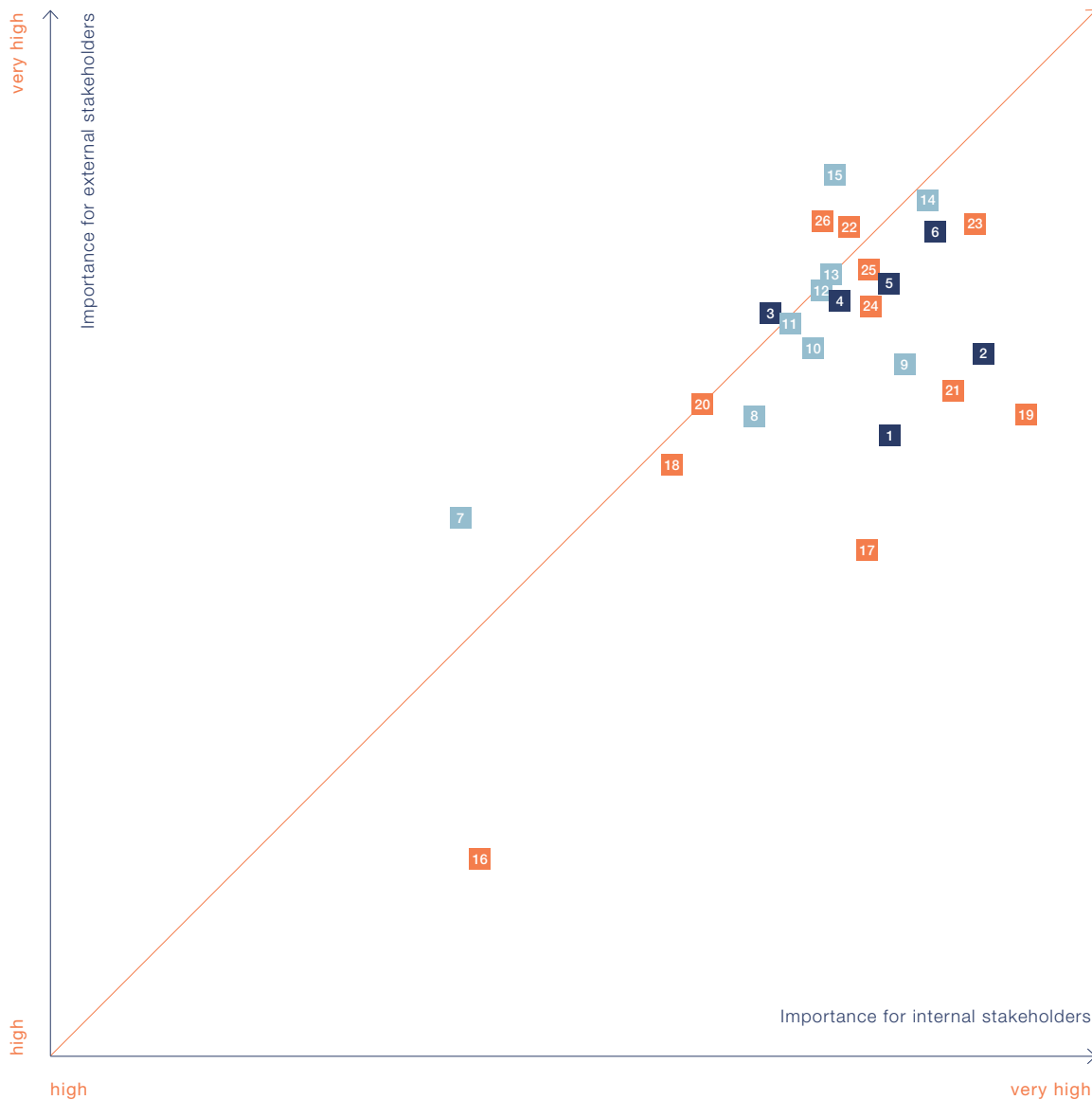
Information on topics which have been identified as subject to mandatory reporting can be found in the 2018 non-financial report in the sections on the following relevant aspects: environmental aspects, employee aspects, combating bribery and corruption and upholding human rights and data protection (compare to index on the non-financial report, p. 03). – NfR

⁵ The topics marked "NfR" were identified in the materiality process as being subject to mandatory reporting as part of the non-financial report in accordance with CSR-RUG.

The topics "Business strategy, taking account of opportunities and risks" and "Continuous improvement in service and process quality" are each addressed directly within the NfR sections when relevant. – NfR

Although social matters as defined by CSR-RUG play an important role for Hapag-Lloyd, they do not meet the materiality criteria of CSR-RUG. Beyond the NfR itself, this SR also reports on other topics that are important to us but do not meet the materiality criteria of the CSR-RUG, such as our diverse activities in the social arena (see Social, p. 77 ff.). – NfR

MATERIALITY MATRIX – 102-44, 102-47



Economy

- 1 Increasing company value
- 2 Commercially profitable actions
- 3 Involvement of suppliers
- 4 Transparent reporting
- 5 Continuous improvement in service and process quality – NfR
- 6 Business strategy, taking account of opportunities and risks – NfR

Environment

- 7 Onshore power
- 8 Ship recycling
- 9 Increasing efficiency through technology – NfR
- 10 More environmentally friendly transport chains
- 11 Sustainable materials
- 12 Low-sulphur fuel – NfR
- 13 Reduction of environmental effects – NfR
- 14 Waste prevention and disposal
- 15 Measures to reduce emissions – NfR

Social

- 16 Charitable organisations
- 17 Training and education – NfR
- 18 Social benefits at supplier companies
- 19 Social benefits
- 20 Occupational health and safety at supplier companies
- 21 Occupational health and safety – NfR
- 22 Non-discriminatory conduct
- 23 Competition law – NfR
- 24 Data protection – NfR
- 25 Compliance with laws and regulations (including human rights) – NfR
- 26 Suppliers' compliance with laws

Categorisation of the topics in the matrix is based on the stakeholder survey and should be regarded as independent of the CSR-RUG.

STAKEHOLDER DIALOGUE

– 102-40, 102-42, 102-43, 102-44

Dialogue with our various stakeholders is a valuable tool for our corporate management that contributes to our long-term success. We use various formats to regularly communicate with our stakeholders so that we can find out their expectations and perceptions and hear their comments and ideas. This then enables us to identify areas for improvement and translate them into actions. We do this by way of direct conversations at trade fairs and conferences, or at our Annual General Meeting, for example. During our day-to-day work, we deal with questions on a wide range of topics, such as the development of the company, risks, our employees and the environment, cargo and data security, and compliance.

The sustainability report published in 2018 was the first one in which we reported proactively and transparently on relevant sustainability topics. In doing so, we went considerably beyond CSR-RUG requirements to lay out a comprehensive view of the sustainability performance of our Company. In our first year of sustainability reporting, we received the Building Public Trust Award in the SDAX-listed companies category, which is awarded by auditing firm PwC and a jury of representatives from the fields of science, consultancy and business. This positive feedback is the impetus for us to continue providing the best possible information to our stakeholders.

Communication with our shareholders

We regularly inform our shareholders, analysts and potential investors about our Company's development and strategy. This is primarily handled by the Executive Board and the Investor Relations (IR) team at investor events, through investor conversations, and at the Annual General Meeting. The IR area of the Hapag-Lloyd website also provides extensive information.

We set great store by providing the capital market with transparent information about our strategy and the outlook for our Company. We report relevant information quickly and comprehensively. During the reporting period, we were awarded the German Investor Relations Prize in the SDAX-listed companies category for Best Investor Relations Work. In addition, the head of Hapag-Lloyd's

IR department, Heiko Hoffmann, won second place in the SDAX Ranking of IR Professionals. Both accolades were presented in June 2018 during the 21st DIRK (German Investor Relations Association) conference by "WirtschaftsWoche" business magazine, the Extel market research institute and DIRK.

Communication with our employees

We want to actively foster open dialogue with our employees and minimise the (perceived) hierarchies in our Company. We do this in part using unusual formats like the weekly "Lunch with the Management" and bimonthly meetings where staff present their activities to other employees. "Breakfast with the Executive Board" also takes place regularly in Hamburg. In addition, we offer our staff based in Hamburg a visit to one of our container ships, therefore facilitating dialogue between sea- and land-based personnel. Our employee magazine also informs our staff on a quarterly basis about important issues and developments as well as interesting activities. This information is continuously updated via the intranet. The regular dialogue between the Executive Board and the Works Council is also another major form of internal dialogue (see Communication between employer and employee, p. 36).

Communication with customers and business partners

We are in regular communication with our customers, business partners and suppliers. In the process, we are increasingly fielding customers' questions on sustainability topics. We are working with our business partners such as MAN and Schenker to promote issues like liquefied natural gas (LNG) and environmental protection. We engage in discussions with our suppliers about our code of conduct and issues such as capacity expansions or shortages.

Political discussions

We also engage in regular dialogue with political representatives on a municipal, national and international level. While we focus on infrastructural and social issues in our home city of Hamburg, we primarily address environmental issues at an international level (see Involvement in political discussions, p. 81 f.).

Communication with non-governmental organisations (NGOs)

We see our dialogue with national and international NGOs as mandatory. We work in partnership with the environmental organisations OceanCare and WWF among others, and conduct open discussions with NABU. It is important for us to achieve mutual understanding on critical topics. For this reason, we engage in direct dialogue and take an active role in finding solutions – for example, by engaging in face-to-face discussions, participating in conferences and working on committees. Key issues that we focus on here are ship recycling, pollution emissions and the transportation of controversial goods (see Environmental action, p. 79).

Communication with Hamburg and the local community

Hapag-Lloyd is a traditional Hamburg company, which is why maintaining a dialogue with our local citizens is close to our hearts. Every year, for example, we open our doors to interested Hamburg citizens as part of Supply Chain Day (Tag der Logistik) and Heritage Day (Tag des offenen Denkmals) and invite them to public cultural and informational events (see Action at home, p. 81).

Memberships – 102-13

Through our membership in various associations, working groups and institutions, we are able to play a role in shaping and developing on various topics. One example is the Prevention Specialist Committee (Marine) of the German Employers' Liability Insurance Association (BG)-Transport. The committee campaigns to have the treatment of post-traumatic stress disorders among crew members included in the catalogue of services of BG-Transport. Another example is our joining the Ship Recycling Transparency Initiative (SRTI) in 2018. By joining the initiative, we want to guarantee environmentally friendly ship recycling with safe working conditions.

This report does not include information on all our memberships. Instead, individual chapters focus on those memberships where we made a particular contribution or where significant progress was made on key issues during the reporting period.

EXAMPLES OF MEMBERSHIPS AND COMMITMENTS



Clean Cargo Working Group
Improvement of the environmental performance of container transport via measurement, evaluation and reporting.



TRIDENT
ALLIANCE

Trident Alliance
Compliance with the new sulphur emission regulations, e.g. to ensure fair competition.



EcoTransIT World Initiative (EWI)
Ongoing development of ETW (EcoTransIT World) and environmental impact assessment in the transport sector.



Global Logistics Emissions Council
Consistent and transparent method for calculating emissions in the global transport chain.



The UmweltPartnerschaft
Promotion of voluntary environmental protection by businesses as an innovation driver of green technology and a central platform for dialogue on environmental policy.



Ship Recycling Transparency Initiative (SRTI)
Exchange of information on ship recycling in order to promote responsible practices.

CORPORATE GOVERNANCE AND COMPLIANCE

Hapag-Lloyd wants to be perceived by its stakeholders as a responsible and credible partner. Their trust in our Company and its management significantly strengthens our corporate success. The corporate governance and compliance structures and processes that we have established around the world, such as the Global Code of Ethics, are an important basis for this.



CORPORATE GOVERNANCE

A key aspect for ensuring responsible management of the Company that is geared towards sustainable appreciation is good corporate governance. The Executive Board and Supervisory Board use the applicable laws, in particular the German Stock Corporation Act (AktG) and the German Corporate Governance Code (GCGC), to manage and monitor the Company. The two boards demonstrate their commitment to the GCGC by issuing an annual declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). In addition, the Executive Board and Supervisory Board report on corporate governance in the yearly Corporate Governance Report, which is published along with the declaration on corporate governance (see [2018 annual report](#), p. 20 ff.).

– 102-12

COMPLIANCE

– 205/103, 206/103, 307/103, 408/103, 409/103, 412/103

Compliance – that is, adherence to laws, standards and regulations – is exceptionally important to our Company. It ensures that we act in accordance with the law and outside parties are also showing an increasing interest in it. – NfR

For us, the biggest challenges to compliance result from new or updated laws and external guidelines. The increasing volume of legislation means that the Group must put in place new processes and measures for the

implementation of applicable laws and must continuously monitor compliance with these additional regulations. – NfR

Our Company expressly commits to fair competition as well as compliance with all applicable national and international laws, in particular with regard to corruption, bribery and price fixing. We strictly oppose any violations of these laws and do not tolerate them in any way. Violations of applicable laws are subject to prosecution. This position is underpinned by the Executive Board's [compliance statement](#). – NfR

In April 2018, Hapag-Lloyd joined the Maritime Anti-Corruption Network (MACN), which aims to stamp out all forms of corruption and to promote fair trade. In doing so, we emphasise our dedication to our existing commitment to take an active stand against all forms of corruption and to work for corruption-free trade in the maritime industry. – NfR

Compliance organisation

The Chief Financial Officer is responsible for the central Compliance department, while our Company-wide compliance programme is implemented by officers in the regions and national subsidiaries. Our compliance organisation makes it possible to fundamentally implement measures as part of the compliance programme which ensure that the Company complies with laws and internal and external guidelines. The Executive Board and the Supervisory Board's Audit and Financial Committee are regularly updated via compliance reports. – NfR



Global Code of Ethics

– 102-16, 406/103, 407/103, 407-1, 408-1, 409-1, 412-2

Our corporate culture is manifested in our [Global Code of Ethics](#). This formalises the basic values of our Group and defines the behaviour we expect of our management and employees, both internally and externally. It also contains the principles that we consider to be essential for dealing fairly with each other, customers and business partners. The code is available in German, English, Chinese and Spanish. – NfR

The first basic value of the Global Code of Ethics is the observance of human rights, which directly refers to the United Nations' Universal Declaration of Human Rights. The code also reflects the content of the International Labour Organization's (ILO) core labour standards, such as the prohibition of all forms of discrimination, as well as the prohibition of child or forced labour and sub-standard working conditions. This also includes the right to freedom of association and collective bargaining. – NfR

Globally, each Hapag-Lloyd employee on land regularly takes part in mandatory Web-based training sessions on our Global Code of Ethics. Our employees at sea who work on vessels managed by our Fleet Management team receive information about these topics via the "fleet circular", a fleet newsletter. The values of the Global Code of Ethics are also integrated into numerous Group-wide and

regional policies and are therefore an important basis for the Compliance department's activities. – NfR

We ensure worldwide compliance with the Global Code of Ethics via the Ethics Committee, which comprises the heads of the Compliance, Corporate Audit and Human Resources departments. The Ethics Committee meets when it learns of new suspected violations to record them and arrange for measures to be taken. In the event of serious breaches, such as suspected violations involving child or forced labour, the Ethics Committee would be immediately convened. If criminal violations occur, we report them to the local authorities where appropriate. In addition, violations are prosecuted under labour law. – NfR

We continuously examine the extent to which the Global Code of Ethics and the Executive Board's compliance statement satisfy external compliance regulations and update them if necessary. As a result of the international social conversation on sexual harassment during the year, we included it in the specific catalogue of prohibited actions in 2018. – NfR

Supplier code of conduct

– 102-16, 308/103, 407/103, 414/103, 419/103

It is important to us that our business partners ascribe to our values and behavioural principles. For this reason, we require our suppliers to sign our supplier code of conduct covering aspects such as the environment, employees, observance of human rights and efforts to combat corruption and bribery. We offer them two options to minimise the time and effort involved in reviewing the codes of conduct, some of which are very detailed. Either they can subscribe to the content of Hapag-Lloyd’s supplier code of conduct or they can confirm that they possess their own code of conduct which is consistent with our values (see Supplier management, p. 70 f.). – NFR

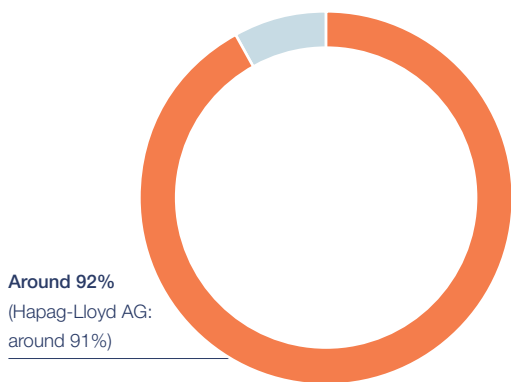
Compliance training and reporting mechanisms

– 205-2, 205-3, 307-1, 406-1, 408-1, 409-1, 412-2, 419-1

We are able to ensure the targeted prevention of compliance violations by employing measures of our compliance management system. For example, each of our land-based employees must take part in mandatory compliance training. A whistle-blower system enables the submission of anonymous tips about potential violations. Employees at sea who work on vessels managed by our Fleet Management team receive information on the topic of compliance via the “fleet circular”, a fleet newsletter. – NFR

PROPORTION OF STAFF TRAINED IN COMPLIANCE

(2018) – NFR – 205-2



of our employees* on land participated in Web-based training on the topics of compliance and corruption required for 2018.

* also includes external employees, among others

A comprehensive training concept helps provide employees with the necessary knowledge and increase their awareness of compliance. It comprises on-site and Web-based training. On-site training is divided into compliance management training, regular on-site compliance training and topic-specific compliance training. Corruption is a major component of these sessions and one that we continue to develop. In addition, there are separate training modules on the topic of competition law. – NFR

During the reporting period, almost all of Hapag-Lloyd’s land-based personnel were trained in on-site compliance sessions. This includes all staff in the regions of Latin America, North America, Asia and Europe, and the majority of staff in the Middle East region as well as in the headquarters. The employees from the remaining relevant organisational units will receive on-site compliance training in the coming year. – NFR

During the reporting period, we started developing a new Web-based training programme that will feature content-related updates and increased interactivity. Following the roll-out planned for 2019, the new Web-based training programme will also be mandatory for Hapag-Lloyd’s land-based employees worldwide. – NFR

We specifically encourage our staff to report compliance violations, or suspected ones, to their superiors, their local compliance officer or the central Compliance department. They are assured that they will not be disadvantaged by reporting violations of applicable law, regardless of whether the violation proves to have occurred or not. The same applies to business partners that report a potential violation in good faith. – NFR

In almost all countries, we also have external contact partners to whom our staff and business partners can report violations. This ensures that whistle-blowers can maintain their neutrality and anonymity. In addition, discussions are held in the local language and representatives have the necessary expertise to proceed competently with a report, thereby reducing the barriers to whistle-blowing. These reports are consequently forwarded to the Compliance department, in anonymised format if necessary. – NFR

No significant violations in the areas of corruption, discrimination or child and forced labour were reported via this system in the reporting period. – NfR

Dealing with violations – 205-3, 206-1, 307-1, 406-1, 419-1

If there is indication of a compliance violation, we follow up immediately by convening the Ethics Committee. The Ethics Committee implements individual measures to address the issue (e.g. an investigation by Corporate Audit or external specialists). – NfR

All suspected cases are carefully reviewed as part of the investigation. Where there is conclusive evidence of a suspected violation and this can be legally verified, the necessary legal or disciplinary measures are initiated. During the reporting year, there were suspected violations that involved criminal activities. Of these, one case related to an active member of staff. However, no legally admissible evidence could be determined in this case. – NfR – 205-3, 206-1

If employees are found to have committed violations, this can lead to sanctions under employment law, such as an official warning. If a gross violation occurs, the employee's contract may be terminated, the matter reported to the relevant authorities or other legal steps taken. In the event of a serious, confirmed violation by a business partner, we reserve the right to terminate our relationship with the business partner immediately. – NfR

RESPONSIBLE TAX POLICY

Our principles for a responsible tax policy

Responsible tax policies are coming under greater scrutiny in international corporations. Part of this is due to increasingly stringent legal requirements, though increasing public awareness is also playing a role. Due to events such as the Panama Papers and public investigations into the tax policies of conglomerates, public perception of this issue is highly critical.

As a traditional company, Hapag-Lloyd is aware of its responsibility to ensure fair and transparent company taxation and acts according to the principle of "paying its

fair share to society". Our strategy pursues clearly defined principles:

- Transparent dialogue with stakeholders, particularly with the relevant tax authorities
- Strict compliance with all legal requirements regarding the relevant country-specific tax situation
- Punctual and correct payment of all corporate taxes, under consideration of the protective effect of any bilateral agreements for the avoidance of double taxation on corporate earnings
- Rejection of artificial company structures created solely for the purpose of lowering the tax burden
- Transparency with regard to our necessary operational presence in low-tax countries
- Implementation of structures and processes to ensure permanent monitoring and compliance with legal requirements with regard to company taxation (tax compliance management)

Tax compliance management system

As a result of its global business activities, Hapag-Lloyd is liable to pay taxes in many countries and is subject to highly heterogeneous regulatory requirements. Within the context of the tightening of German criminal tax law, companies are, for example, now obliged to implement a tax compliance management system. The more stringent regulations mean that even insufficient tax payments caused through negligence may still lead to the legal representative of the company being held personally liable. With the implementation of this kind of system, the company executives meet the increased demands in terms of the company's internal tax organisation, the selection of suitable specialists and the ongoing monitoring of company processes with regard to compliance with legal requirements in tax matters (duties of due diligence and control).

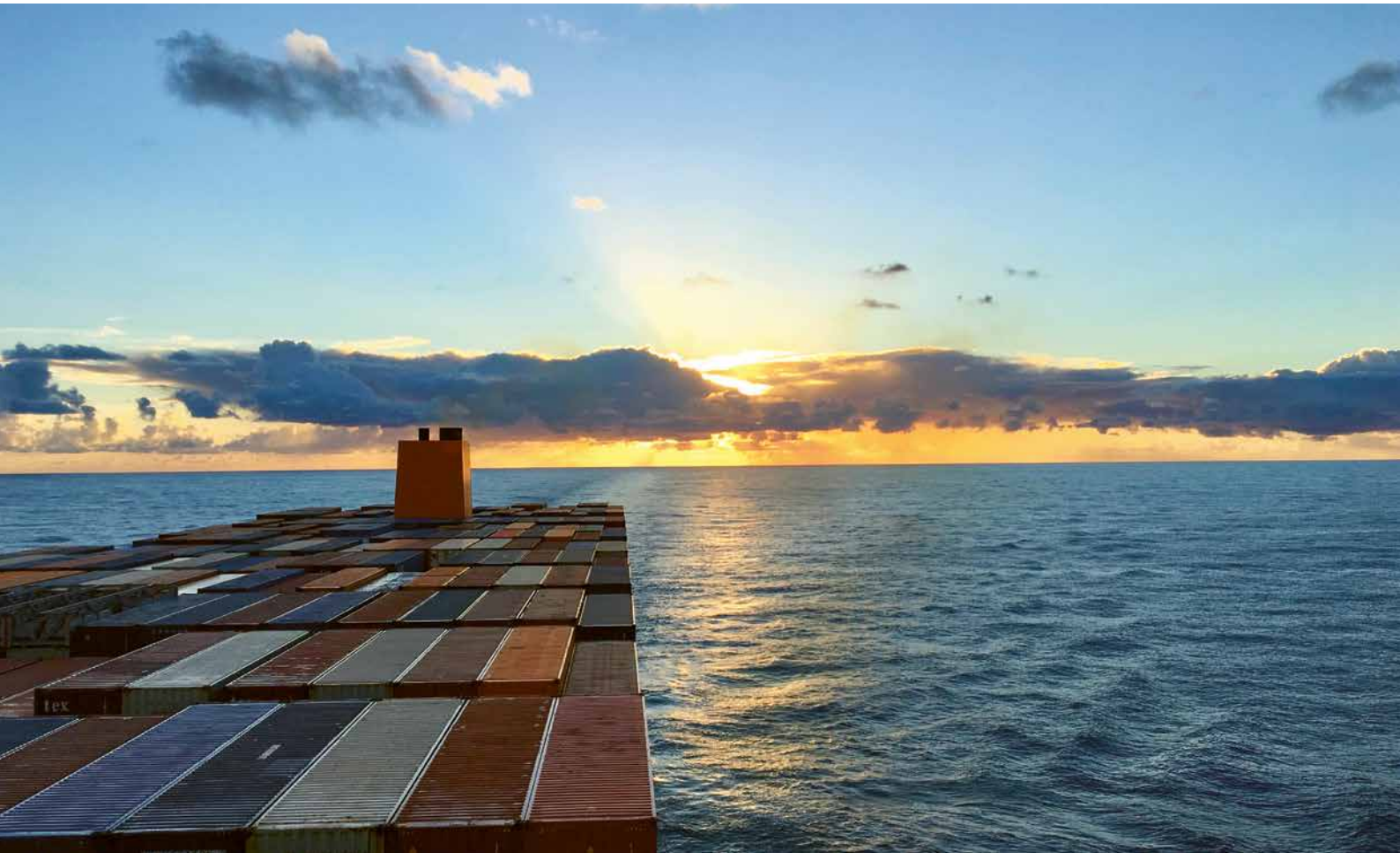
Hapag-Lloyd started implementing its tax compliance management system in 2018. In doing so, Hapag-Lloyd

will base its system on the internal control system (ICS) already existing and integrate the monitoring of tax processes into this system. These kinds of extensive, legally mandated tax control systems are by no means standard everywhere in the world. Hapag-Lloyd meets very high standards in terms of control and compliance with the requirements of tax law.

Alongside the traditionally complex German tax law, requirements in terms of transparency and documentation are also increasing in other countries such as the UK, where the publication of a company's tax policy or strategy is mandatory.

Country-by-country reporting

Since Hapag-Lloyd is active around the world and its Group revenue exceeds EUR 750 million, the Company is subject to new requirements on the disclosure of certain country-specific corporate indicators, known as country-by-country reporting. This legal reporting requirement for the mutual disclosure of information draws on the Organisation for Economic Co-operation and Development's (OECD) initiatives under the BEPS (base erosion and profit shifting) programme. Hapag-Lloyd is in full observance of the legal requirements for submitting country-by-country reports in the national headquarters of its Group parent company (Germany). As such, Hapag-Lloyd reports transparently about all of its company results and tax payments in the countries in which it is represented by its affiliates.



EMPLOYEES



A TRULY GLOBAL COMMUNITY

After its successful debut in 2016, the Hapag-Lloyd football tournament was once again a huge hit in 2018. Over 1,200 players and fans from 40 countries took part in the tournament and showed that team spirit, fair play and openness are firmly anchored in our global corporate culture. The event was framed by a warm-up party and a champions' party, where the winners were honoured.

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MANAGEMENT APPROACH – 401/103

We want to be an efficient service provider for our customers and a responsible employer for our staff. With a wide range of training opportunities, we strengthen the leadership and specialist expertise of our employees and offer our young talents a positive environment for their career development. In doing so, we value a positive corporate culture and a healthy and safe working environment. – NfR

As a global employer, our human resources (HR) management is often faced with a very diverse range of challenges. One that we are confronted with in many countries is staff quality management. At the same time, the requirements of ship crews are increasing all the time as ships get larger. We are increasingly drawing on digital training tools in order to ensure that our crews can reliably provide the necessary services even as ships increase in size. In Germany, as in other countries, we are actively countering the lack of qualified staff with targeted recruitment campaigns.

We want to raise awareness of our Company among well-qualified staff worldwide and to ensure that our employees remain enthusiastic about our Company for the long term. We do this by presenting ourselves as a future-oriented, modern employer that is still aware of its heritage, implementing numerous measures to boost our appeal as an employer (see Employee recruitment and retention, p. 28 ff.).

ORGANISATION OF HUMAN RESOURCES MANAGEMENT

The remit of the HR management team is to ensure that there are globally uniform standards for the relevant employee issues and to provide appropriate support to our regional units in their own HR activities. – NfR

The HR department at our headquarters is responsible for our employees on land. It is divided into a German HR Management department and an international Corporate HR department. A third department, Marine Human Resources (Marine HR), is responsible for our employees at sea. – NfR

The HR Management department is responsible for all staff-related matters, including needs assessments, job advertisements, interviews, contract preparation, and internal transfers and departures for Germany. HR Management also manages business and commercial training for the land-based organisation. – NfR

The Corporate HR department looks after our expatriates and is responsible for the application of global policies and guidelines. These are also implemented in the marine division if appropriate and legally possible. Corporate HR takes care of all employee development measures for the German organisation, including advice, coaching, training and charring, as well as international development programmes, such as the Talent Development Programme (TDP) and the Agile Leadership Programme at Hapag-Lloyd (ALPHA). The department is on hand to advise the regional HR managers where necessary. Regular global HR conference calls are set up to answer questions from the various regions in the presence of the other regions. Corporate HR also manages the Global Staff Dialogue (GSD) (see Training and further education, p. 32 ff.) and coordinates the worldwide remuneration structures for employees and management. Following the merger with UASC (United Arab Shipping Company), the necessary adjustments and standardisation of employment contracts were completed during the reporting period. – NfR

The Marine HR department is in charge of HR matters pertaining to the sea-based organisation, the planning and implementation of training and further education programmes and certifications (see Health and safety, p. 37 ff.). The HR Management and Marine HR departments advise company management and managers on HR issues and work with the co-determination bodies. Marine HR also worked on standardising its processes

during the reporting period so that it is now able to offer standardised training across the regions, for example. – nfr

The HR departments of the individual regions are linked to Corporate HR based on a dotted-line principle. They are responsible for HR management at regional level, are in direct communication with the HR departments at the local sites and manage the implementation of employee development measures at the local level. – nfr

The HR department coordinates the key topics and targets for HR management with the Executive Board. In addition, the HR department is regularly audited by the Corporate Audit department and the global Compliance department. The Marine HR department is subject to the ISM Code¹ (see Safe ship operations, p. 40 ff.) as well as annual internal and external audits. – nfr

STAFF STRUCTURE –102-8, 405-1

In 2018, around 12,800 people (previous year: around 12,500 people) were employed by Hapag-Lloyd. 34% of our employees on land are based in Europe (including the global headquarters), 11% in North America, 13% in Latin America, 17% in Asia and 25% in the Middle East. The increased number of employees in the Region Middle East can be explained primarily by the changed allocation and the development of the Service Center in India and the establishment of the Country Office in Ghana. Of those around 12,800 employees, around 10,700 work on land and around 2,100 at sea. We employ a very small number of temporary workers.

EMPLOYEES

2018

BY GENDER* (IN %)

	Hapag-Lloyd Group	Hapag-Lloyd AG
Women	47	45
Men	53	55

* As at 31.12.2018 – land-based employees, excluding apprentices – only Hapag-Lloyd contracts

1 ISM = International Safety Management

EMPLOYEES

2018

BY AGE STRUCTURE* (IN %)

	Hapag-Lloyd Group	Hapag-Lloyd AG
Younger than 30 years of age	26	19
Between 30 and 50 years of age	56	57
Older than 50 years of age	17	24

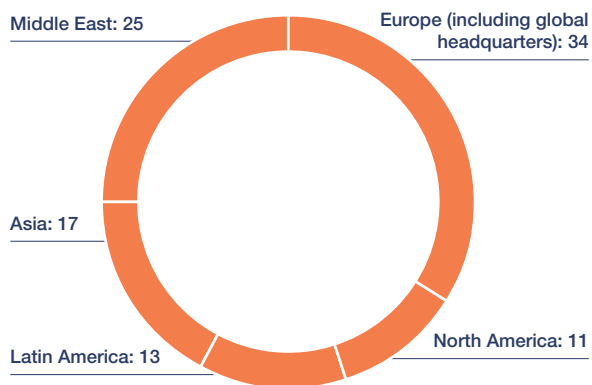
* As at 31.12.2018 – land- and sea-based employees, excluding apprentices – land-based staff only with Hapag-Lloyd contracts

ON LAND AND AT SEA*

	Hapag-Lloyd Group	Hapag-Lloyd AG
On land	10,561	
At sea	1,970	
Apprentices	234	
Total	12,765	3,381

* As at 31.12.2018

EMPLOYEES BY REGION* (IN %) (2018)



* As at 31.12.2018 – land-based employees, excluding apprentices – only Hapag-Lloyd contracts

EMPLOYEE RECRUITMENT AND RETENTION

Recruiting well-qualified staff and ensuring their long-term loyalty to the company is the prime goal of our HR management strategy. As an attractive employer, we also offer appealing employee benefits, measures to reconcile career and family life, and support programmes for young professionals, where local conditions allow.



EMPLOYEE RECRUITMENT

We generally recruit young people via an apprenticeship or study programme. We want to not only train them well but also encourage their long-term loyalty to the company through development measures and career options.

In Germany, more and more young people are choosing to study. At the same time, the number of people looking for a classic apprenticeship in order to join the workforce after school is declining. Recruiting young professionals is especially hard in the field of IT because the competition is so fierce. In order to cover our requirements effectively, we take part in various career orientation events. We also increasingly use digital recruitment channels in order to inform the target group actively about the possibilities of the different apprenticeships at Hapag-Lloyd.

As an argument for choosing Hapag-Lloyd as an employer, we communicate the company's internal employee benefits, which we offer our staff in addition to their salaries. In addition, we also promise a pleasant working environment and promote an appropriate work – life balance (see Employee retention, p. 29 ff.).

As part of our efforts to develop new young employees, we work closely with the Hamburg School of Business Administration (HSBA) and the Nordakademie, where we are represented on the Employers' Advisory Council. We offer four places on a combined vocational training and degree programme at the Nordakademie and eight at the HSBA. At the HSBA, we participate in the company working group as well as in business speed dating and informational events. We also support the accreditation/reaccreditation of its courses and international programmes such as the HSBA summer school.

As the issue of reconciling a career with family life is becoming more and more important to young people and those joining the workforce, we have to be able to ensure that a career in seafaring remains attractive in the future, despite a tough market environment. We specifically target young talent at fairs, on career portals and in face-to-face meetings. Once we have recruited suitable employees, our goal is to retain them at our Company in the long term. During the reporting period, we transitioned almost all newly hired EU sailors on our ships under the German flag to permanent contracts and removed time limitations on existing contracts.

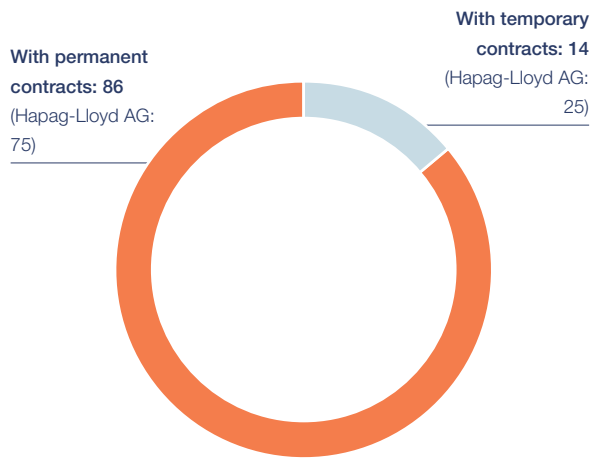


The majority of our seafaring staff, who are managed by Fleet Management in Hamburg, remain with the company after the completion of their apprenticeships. The path to management level following an apprenticeship always requires a course of study. In exceptional cases, we have responded to instances of low numbers of apprentices or returning graduates by hiring nautical and technical watch officers externally. We continue to recruit chief engineers and captains only by supporting and promoting our own young professionals.

insurance, voluntary accident insurance that exceeds statutory protection, and pension and life assurance options.

We also provide our staff with in-house company restaurants or pantries for preparing and eating their own food. Alternatively, we offer other kinds of assistance with meals. In Germany, we also provide capital-forming benefits, an extra month's salary, paid leave in certain situations, such as after the birth of a child or the death of a parent, and assistance in emergency situations through the Präsident-Achelis-Elisabeth-Wiegand-Stiftung foundation.

EMPLOYEES BY CONTRACT TYPE* (IN %) (2018)



We want to offer our staff around the world a modern, attractive workplace. We set a new standard in this regard during the reporting year with our newly opened Quality Service Center in Suzhou, China. Even while choosing the location, we took into account its attractiveness to staff with regard to living costs and infrastructure, among other things. The layout of the new office building with its workstations also provides sufficient space to receive visitors, hold meetings and conduct training events. The modern concept was rounded off with coffee and lunch areas.

Supporting sea-based employees

We draw on a wide range of measures to promote the loyalty of our seafaring staff on our ships. For instance, we conduct one-to-one meetings with the captains after each stint at sea on our ships registered under the German flag, as we do regularly with any employee who requests them. These meetings cover the technical side of the journey, the performance of the employee and further deployment planning, taking social aspects into account. Together, we discuss systems and processes that could improve the working environment, regarding the increasing administrative burden, for example.

* As at 31.12.2018 – land- and sea-based employees, excluding apprentices – land-based staff only with Hapag-Lloyd contracts

EMPLOYEE RETENTION

We offer our staff around the world attractive benefits to supplement their employment contracts.

Social benefits

An important instrument in this regard are the attractive social benefits that are specific to different countries and regions. Unlike in Germany, for example, statutory health insurance for general health care in some countries is insufficient for our employees on land. We compensate for this, where possible, with additional voluntary health

Our crew managers look after the employees at sea from their workstations on land. In this context, we insist that the crew managers are highly qualified and always reachable by the crew. Many of these crew managers have gone to sea themselves and can therefore contribute a great deal of experience and knowledge.

We also set great store by the relationships between staff on land and at sea. We strengthen these relationships with a mutual starter week for apprentices, for example. Our staff can regularly visit Hapag-Lloyd ships to gain a better understanding of the work done by their colleagues at sea.

Every manager, whether on land or at sea, is required to assess how satisfied employees are in their day-to-day roles and to take suitable action if needed. Our management staff are supported by the HR departments, which help with the organisation of suitable team-building measures, for example.

Work-life balance – 401/103, 401-3

Only when a sense of balance between work life and home life is achieved are our staff able to develop their full potential. For this reason, the HR departments and local managers work together to develop measures that also exceed statutory requirements and that enable our employees to reconcile the demands of their work and personal life. We have established a parent/child office at our headquarters, for example. Outside of Germany, we also offer flexitime and other working time arrangements if this is legally possible and compatible with work processes.

During the reporting period, we revised our Global Mobility Policy (formerly our Expat Policy), which regulates the deployment of staff abroad. As a global company, we aim to prepare for postings abroad, as well as carrying them out and ending them, in a fair and transparent way. It is particularly important to us that we provide professional advice, preparation and support for our staff in doing so. We also adhere to defined standards in terms of remuneration, employee benefits and support services (for example, with regard to tax law) and provide adequate safeguards. Family members who will be joining the staff member are also taken into account.

STAFF

2018

WORKING HOURS* (IN %)

	Hapag-Lloyd Group	Hapag-Lloyd AG
Full-time employees	96	89
Part-time employees	4	11

* As at 31.12.2018 – land- and sea-based employees, excluding apprentices – land-based staff only with Hapag-Lloyd contracts

ON PARENTAL LEAVE*

	Hapag-Lloyd Group	Hapag-Lloyd AG
Women	234	46
Men	153	55
Total	387	101

* Land- and sea-based

For our crew in particular, long periods away from their families and social networks, irregular working hours, seven-day working weeks and limited leisure options are especially challenging. For this reason, we introduced flexitime and relatively short deployment times on our ships under the German flag. Where possible, we also take into account personal requests such as holiday planning when drawing up our rosters, provided sufficient notice is given. In addition, family members of the crew, such as spouses, partners or children, are allowed to travel on board with them.

Co-determination – 102-41

The opportunity for employees to take part in important decision-making processes and suggest their own ideas has a positive impact on employee retention. Works councils and similar bodies in Germany and other countries enable employee and employer representatives to communicate in a confidential and constructive manner. In principle, however, all employees can make suggestions on improvements.

Our management staff throughout Europe work together closely with the national works councils. In Germany, the works council plays a significant role in the implementation of a wide range of topics, such as integration,



restructuring, reorganisation or agreements on employee review systems. In other countries, works councils (mainly Europe) or similar bodies (Latin America and the west coast of the US) also usually have co-determination and/or information rights in the event of reorganisations and mergers if they will result in job changes or job losses.

Fair pay and salaries – 102-12, 102-13

Paying our staff a fair wage is a key element in providing an attractive working environment. We are member of the employers' association Hamburg Shipowners' Association (Verein Hamburger Rheder), which in turn is a member of the collective bargaining community that concludes contracts for employees of the Hamburg Transport Industry. The Community of Employers' Associations has made independent pay agreements with the service workers' union ver.di for our land-based staff in Germany. These agreements cover minimum working conditions and minimum wages, among other things. As per Section 5 (3) of the German Works Constitution Act (BetrVG), senior executives are not covered by these agreements.

The crew members on our ships under the German flag are represented by the marine works council. They are covered by independent pay agreements which we have entered into with ver.di and the International Transport Workers' Federation (ITF) through our membership in the collective bargaining community of the German

Shipowners' Association (VDR). During the reporting period, there were collective bargaining agreements with the VDR and ver.di on 16 March 2018, which led to a two-phase increase in the HTV (seafarers' collective bargaining agreement) for 1 September 2018 and 1 January 2020.

There were agreements negotiated during the reporting period and due to come into force on 1 January 2019 regarding the planned expansion of contracts with the ITF. In addition, we apply the regulations of the Maritime Labour Convention (MLC).

When calculating and agreeing on remuneration in line with duties, performance and the market in general, it is irrelevant to us whether the employee is male or female. The equal treatment of women and men means that gender cannot, of course, be a factor in determining salaries.

Under our Global Code of Ethics, we are committed to complying with all local guidelines on working times, minimum wages and fair pay throughout the Group. We also endeavour to expand our social partnership with employee representative organisations.

A total of 58% of all employees (Hapag-Lloyd AG: 95%) are covered by collective bargaining agreements (as at 31 December 2018) – 102-41

TRAINING AND FURTHER EDUCATION – 404/103

Well-qualified and motivated employees are the basis for our business success. After all, their work plays a huge role in determining the quality of our services. We achieve the best possible development of our staff and young professionals through extensive training measures. – NfR



In 2018, we invested a total of EUR 4.8 million globally (Hapag-Lloyd AG: around EUR 2.4 million) in the training of our staff. We also implemented a wide range of additional internal qualification and training measures. – NfR

TRAINING

The aim of our extensive involvement in training is to retain young talent at our Company. This ensures that we have qualified employees for demanding tasks and can fill vacancies quickly. – NfR

Apprenticeships on land

Apprenticeships on land begin with a three-week starter training course and a two-week external course, including team building for our apprentices in Germany. The training also often includes spending time at one of our sites worldwide, as well as English courses and internal presentations on specialist topics. Our apprentices are carefully mentored by internal coaches. – NfR

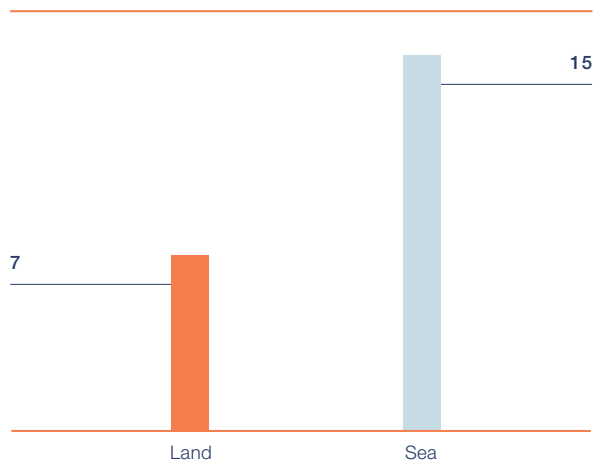
Apprenticeships at sea

Our German apprentices at sea complete group training lasting several months, which takes place on land at a training centre and on our training ships. The topics of team building and health and safety are key focus areas, as are joint shore leave and leisure activities and various specialist training sessions and courses. These include the starter week in Hamburg or an apprenticeship as a metalworker, for example. The Marine HR department looks after the apprentices. – NfR

Apprentices at Hapag-Lloyd receive support in the form of interim feedback discussions as well as internal and external exam preparation courses. – NfR

We believe it is important to support not only our apprentices' qualifications but also their personal development and social skills, including their team spirit, independence and sense of responsibility. This entails taking on challenging tasks during their apprenticeships, applying what they have learned in practice and gaining valuable experience. – NfR

PROPORTION OF APPRENTICES IN GERMANY (IN %) (DECEMBER 2018) – NfR



>>>

ALPHA ENABLES US TO IDENTIFY TALENTED INDIVIDUALS WITHIN THE COMPANY AND PREPARE THEM FOR AN INTERNATIONAL CAREER IN MANAGEMENT.

Participants in the programme take responsibility for their personal and professional development at an early stage.



“ALHPA provides young employees with a new platform and a diverse range of development opportunities within the Company.”

Nicole Ang,
Director Business Administration



Self-reflection, leadership skills and entrepreneurial thinking and action are the core focus of the ALPHA concept.



The professional and personal development of up-and-coming managers as part of ALPHA is based on their individual needs and goals.

FURTHER EDUCATION

The demands on our staff in their day-to-day work are growing all the time. We want to prepare them for this with our further education programmes. The comprehensive qualification options available are at the same time a way of strengthening their ties with Hapag-Lloyd.

The range of further education formats available includes Web-based and virtual classroom training as well as on-site events. In 2018, we invested an average of around 19 hours² (Hapag-Lloyd AG: 17 hours²) per

² The total number of training hours includes external employees in some cases.

employee in further education. The difference to the figure from the previous year was due to, among other things, the additional training provided as part of the merger with UASC. We regularly monitor the success of each measure via internal evaluations. We also offer local training sessions. – NfR – 404-1

Global Staff Dialogue – 404-3

The Global Staff Dialogue (GSD) is an annual discussion between employees on land and managers, where developments during the year are discussed, joint work and development targets are set and suitable measures for further employee development are agreed upon. These are then implemented by the HR department through, for example, advanced training such as MS Office courses, training on travel safety and intercultural skills, and customised team-building activities. Global Business Support also offers global Web-based training, including on sustainability topics. – NfR

The GSD serves to gauge the potential of employees for their career objectives and to develop the staff on this basis by working with the management. The discussions have enjoyed good feedback so far, but we will in future put the focus on dialogue and will further improve the user-friendliness of the documentation software. – NfR

An internal project team is currently working on selecting a learning management system, which will enable the measures agreed through the GSD to be managed and followed up in a consistent system among other things. – NfR

Talent Development Programme

Our three-year Talent Development Programme (TDP) is managed locally by the regions and aimed at employees on land whose performance is excellent and whose potential for development is regarded by us as high. The TDP provides our employees worldwide with support on both an individual and collective level, and they are mentored by instructors from the areas of HR management and development. – NfR

Agile Leadership Programme at Hapag-Lloyd

The Agile Leadership Programme at Hapag-Lloyd (ALPHA) was implemented in 2018 as the successor to the Management Career Programme (MCP). The international

development programme, managed centrally in Hamburg, is tailored to management staff working on land. Within the shorter duration of three years instead of six, a new area of focus is addressed each year:

1. Self-reflection and resulting skill sets,
2. Leadership skills and
3. Entrepreneurial strategy and actions. – NfR

During the reporting period, the first opening event (Spotlight Week) and an ALPHA management training event took place. Initial training sessions on agile methods and techniques to boost creativity, such as design thinking, were held. – NfR

Agile methods

In these times of increasing complexity and decreasing predictability, agility, i.e. our ability to take active, fast action, is extremely important. Consequently, agile methods are a fixed element of the development programmes for our management staff. The significance of these methods becomes clear in our daily work. For example, an agile project management method known as “scrum” is already being used by our IT team in the areas of software development and the implementation of processes.

Expertise management system – 404-3

We want to ensure that the crews on board our ships also have access to targeted professional and personal development. To this end, we have implemented an expertise management system on ships registered under the German flag. In regular dialogue with their superiors, the management and employee work out their individual development requirements and agree on suitable training measures. This results in an ongoing expansion of available training sessions. We thus initiated training on the topics of bunkers, liquefied natural gas (LNG) and MACS3³ during the reporting period alone. A special focus was also given to training in BASSnet, an electronic HR management system used for crew scheduling. Fleet Management is currently working on rolling out BASSnet across the fleet. Corresponding advanced training measures will then be implemented by the Marine HR department. – NfR

³ MACS3 is our own loading calculation software for planning loading and stowage, calculating stability and managing ballast water.

OPEN CORPORATE CULTURE

As a traditional Hamburg company, our corporate culture is shaped by Hanseatic values. We want to uphold these throughout the Group while promoting cultural and social diversity within our staff. After all, that's what makes working at Hapag-Lloyd special.

DIVERSITY AND EQUAL OPPORTUNITIES

– 405/103, 406/103

With offices on all five continents, diversity among our staff plays a central role for us. It is part of our everyday lives. Our employees come from various cultures. They bring differing social backgrounds and very different ways of thinking, perspectives and experiences to our Company. We see this as an enrichment and something to be cherished. We are convinced that this is what brings our Company forward at every level. In our day-to-day communication, we benefit from these cultural, social and linguistic differences and achieve better results over the long term thanks to the varying approaches and perspectives. Furthermore, our employees develop a better understanding and greater tolerance of distinctive cultural features and differences, which also benefit them outside the organisation.

The experience we garnered through the mergers with CSAV (Compañía Sud Americana de Vapores) and UASC (United Arab Shipping Company) in recent years has confirmed this belief. As a result of our open corporate culture, the new management staff and employees were quickly



integrated into the company. But our new colleagues not only add to our diversity – Hapag-Lloyd also benefits significantly from their experience and the standards that they bring to us from other company environments.

“We are a truly global community”

In June 2018, we held an international football tournament for our staff in order to further strengthen existing networks and promote a sense of belonging at Hapag-Lloyd. More than 1,200 employees, representing all our regions and about 40 countries, attended the two-day event in Hamburg. The days were characterised by a sense of fairness, openness and a shared passion for football and international shipping. In this way, the event perfectly encapsulated our identity as a “truly global community”. Without the willingness to bridge cultural differences, to find what unites us rather than divides us, and the ability to develop shared enthusiasm, our business would founder.

Equal opportunities for all employees

– 102-12, 405/103, 406/103

We are expressly committed to the diversity recommendations of the Government Commission for the German Corporate Governance Code (GCGC) and have firmly incorporated the objectives of the Diversity Charter into our corporate culture. We foster the talents of all our employees, irrespective of gender, nationality, ethnic origin, religion and ideology, disability, age, sexual orientation and identity. We want to include people with disabilities in our operational workflows and the social life of our Company in the same way we do any employee.

The selection and recruitment of new employees around the world is based solely on qualifications, social skills and their readiness and ability to perform the work. We follow country-specific regulations in this respect, such as the German General Act on Equal Treatment (AGG).

The selection of our seafaring staff is based on suitability for working at sea, high flexibility and manual skills, for example.

Women in management positions – 405-1

As at 31 December 2018, the proportion of women in management positions (levels 2 to 3) was around 9%. We want to continue to increase our employees' and managers' awareness of the issue of diversity across the Group through regular events, such as self-marketing for women, the Women's Business Talk, intercultural awareness simulation and other forms of intercultural training. The Women's Business Forum in Hamburg is particularly successful. Since 2015, young female managers have been offered opportunities for further training as part of this initiative and can engage with experienced female managers at the third and fourth management level.

COMMUNICATION BETWEEN EMPLOYER AND EMPLOYEE

Within our Group, we set great store by ensuring a positive relationship between employees and employers. Flat hierarchies, efficient decision-making pathways and easy communication between the various management levels are key elements of our corporate management strategy.

Our top management adheres to an open-door principle, which means that any member of staff can approach any executive at any time. We regularly hold the "Breakfast with the Executive Board" in Hamburg, which employees can sign up for. Events such as the weekly "Lunch with the Management" enable our staff to get to know our second- and third-tier management better.

We support a culture of feedback where open communication is expressly fostered, so that our employees can learn from their mistakes. We train our managers to

provide prompt and regular feedback as well as to actively request it. And naturally, we also ask our employees to give feedback to their managers. The annual Global Staff Dialogue provides a formal framework for discussions between the management and land-based employees.

In order to strengthen the dialogue beyond the company itself, we started working with the charity Common Purpose in 2018. One of its aims is to facilitate dialogue beyond the professional arena for management staff in Hamburg working in a variety of fields. This aims to not only strengthen expertise within the participants' relevant core areas of work, but also to increase their understanding of how to shape communities. Within our joint Navigator programme, young professionals are offered a wide range of learning and networking opportunities, where they can enter into dialogue via a variety of formats and in unusual locations – with each and other, and with around 40 external decision makers.

As part of the "Dialogue in Leadership and Management" pilot project, two high-ranking members of the German army are stationed with our Company for a long period of time. One of the aims of this project is to ensure ongoing dialogue among future civilian and military leaders. In addition to providing familiarisation with different leadership cultures and processes, this is a matter of contributing to the performance of the army as a fixed and recognised part of German society – by contributing to the development of course content at the army's leadership academy, for example.

HEALTH AND SAFETY



QUALSHIP 21 – HIGH SECURITY STANDARDS

Hapag-Lloyd was incorporated into the Qualship 21 (“quality shipping for the 21st century”) programme of the United States Coast Guard in 2018. The programme recognises ships arriving in US waters that maintain particularly high quality standards. This accolade underscores our commitment to achieving the highest safety standards on board.

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MANAGEMENT APPROACH – 403-1, 403-8

No matter what area of work our staff are involved with, ensuring their health and safety is our top priority. We continually work on developing our high standards in terms of health and safety, e.g. by having our occupational health and safety management system (OHSAS 18001) externally certified. – NfR

Due to the importance of these topics, these issues primarily rest with the HR department on land – both at Group level and in the individual regions. Our management is also responsible for ensuring compliance with the relevant regulations and for implementing internal guidelines. – NfR – 403-4



Occupational health and safety on land and at sea

In Germany, we have established a Health and Safety Committee, which meets regularly. The committee comprises representatives from the company management, the health and safety officer, the company doctor, representatives of the Works Council and the safety officers. In its meetings, the committee discusses topics relating to occupational health and safety and agrees on areas for action and measures to be implemented. One area of focus for the committee in 2018 was “Psychological stress in the workplace”. The company doctor and health and safety officer were asked to develop a suitable process for assessing health risks that took into account the stricter

legal requirements, among other things. Furthermore, decisions were made to create quiet rooms, provide defibrillators at the locations and adapt the furnishings in line with legal and operational requirements among other things. – NfR – 403-4

The company agreement decided upon in Germany in 2006 is evidence of our commitment to promoting health and safety at work. We see the agreement as a guidance framework enabling us to identify areas of action and to implement measures to improve health promotion within the Group. – NfR

Fleet Management, which ensures safe ship operations around the world, is responsible for our employees at sea. Compliance with our Group-wide standards for health and safety at work is also mandatory on board our ships. We have embedded these within operational workflows via our safety management system (SMS), which encompasses all our occupational safety processes and measures. We document risks and the efficacy of our activities in hazard assessments and reports such as our Occupational Health Report for our ships under the German flag. – NfR

Areas of action can take two forms: preventive, such as inspections, reports from our ships or the procurement of the latest safety equipment, and corrective, such as accident investigations, reporting of near accidents, changes to the law or the identification of hazards through research and scientific studies. The results of the analyses are then used to derive safety measures. – NfR – 403-2

Certified health and safety management system

The fleet health and safety management system was audited in May 2018 by BG-Verkehr. Following two intensive audits, BG-Verkehr confirmed our compliance with internationally recognised standards. As a result of the voluntary audit, all of the ships managed by Fleet Management have been certified in accordance with the standards of the ILO-OSH 2001 guideline and to OHSAS 18001:2007.

The certification confirms our successful and ongoing commitment to occupational health and safety. As an integral component of our safety management systems, our health and safety management system makes a major contribution towards ensuring that our seafaring staff have a safe and healthy working environment. The active involvement of our staff on board in the quarterly health and safety committee is a major factor in the success and acceptance of the system. The regular feedback received from those on board is used to derive the relevant potential improvements and to continually develop our system.



SAFE SHIP OPERATIONS – 403-8

Our Fleet Management sets great store by the safe operation of our ships because only then are we able to guarantee the safety of our staff and cargo, and protect the environment. We draw on numerous measures, some of which go above and beyond the legal requirements, and implement them consistently. – NfR



The safety management system

Within our safety management system (SMS), we have among other things defined four areas of focus that represent the goals of our safety and environmental protection policy: – NfR

- Safety on board: Within our safety management system, we have established a comprehensive package of preventive measures and actions, from technical state-of-the-art standards to operational workflows. It is our aim to guarantee the safety of people and our ships, as well as the cargo and our property. – NfR
- Occupational health and safety: We draw on an extensive and appropriate range of precautions and safety measures in order to minimise as effectively as possible the risks to human life and health that result from operating a ship. – NfR
- Maritime security: With effective security systems that prevent non-authorized persons from gaining access, for example, we can identify and minimise the risk of outside attacks. – NfR
- Environmental protection: Our safety systems also include measures that enable us to avoid or minimise pollution. – NfR

Our managers and staff are committed to our safety and environmental protection policy, which is a major prerequisite for an efficient implementation of the SMS. We have established clear processes and principles to ensure that our employees are not only familiar with the content of the policy, but that they apply this policy, along

with the SMS and other standards and guidelines within their area of responsibility, at all times. – NfR – 403-2, 403-5

Regular revisions of the SMS help us to ensure that it always takes into account the results of the management review, as well as any changes in the law. All incidents, accidents and near-misses on our ships are documented. The findings from the documentation influence our decisions about how we can improve operational processes. We then communicate our decisions to the ships affected. The ships implement the measures and we check them. In 2018, the SMS was communicated to part of the fleet solely in electronic form for the first time as part of our digitalisation process. – NfR – 403-2

Audits

Internal and external audits help to ensure that we comply with all legal and internal requirements in terms of occupational health and safety. We check compliance with ISM and ISPS codes¹, as well as ISO, OHSAS and MLC² guidelines, every year through internal audits of all of our ships. External ISM, ISPS and MLC audits are carried out on each of our ships every two-and-a-half years. ISO 9001 and 14001 audits are carried out regularly on a set number of ships. – NfR

In addition to the ships themselves, their management is also audited by the flag states or classification societies. As was the case in previous years, the Fleet Management

¹ ISM = International Safety Management,
ISPS = International Ship and Port Facility Security
² OHSAS = Occupational Health and Safety Assessment Series,
MLC = Maritime Labour Convention



“The certification shows that our efforts pay off, year after year.”

Capt. Sophia Laux,
Director Fleet Management Systems



Some processes are best discussed within the team.

and all other management were awarded the Document of Compliance (DOC) with no reservations. Each fleet management group was also certified to the new ISO standards 9001:2015 and 14001:2015. – NfR

Newly built ships are audited for ISM/ISO/ISPS and MLC certification within six months. If any deviations are found, they are documented in the audit reports. Corrective measures must be carried out by us within a clearly defined time period and are then evaluated. – NfR

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THE OHSAS 18001 CERTIFICATION MEANS THAT WE MEET STRICT INTERNATIONAL REQUIREMENTS IN RELATION TO OCCUPATIONAL SAFETY.

The effectiveness of our measures is reflected in a low rate of occupational accidents.



Together, we ensure that the systems are perfectly interlinked.

In 2018, all certificates, the Safety Management Certificates (SMCs) and International Ship Security Certificates (ISSCs), which confirm compliance with the ISM and ISPS codes, were issued without any reservations. – NfR – 403-2

In all, we carried out more than 100 internal and 50 external audits in 2018. – NfR

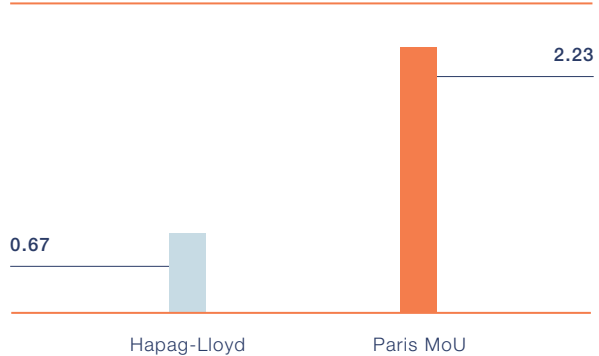
Port state control

Every port state is permitted to check any ships docked in its ports without giving notice to establish whether the ships are in compliance with the applicable international agreements on occupational health and safety regulations which the port state has ratified. During the port state controls (PSCs), the port state examines the ships' condition and equipment and checks that they are being operated properly by their crews. – NfR

Several countries in nine regions so far have agreed to port state controls and signed memoranda of understanding (MoU) to this effect. These regional PSC organisations also conduct concentrated inspection campaigns for certain key issues. In 2018, these included “Auxiliary Machinery” (Viña del Mar MoU), “MARPOL Annex VI” (Paris, Tokyo, Indian Ocean and Black Sea MoU) and “Open Lifeboats (US flag vessels only)” (USCG). – NfR

In 2018, 272 PSCs were conducted on our ships and an average of 0.67 deficiencies were identified. The comparison with the average global deficiency rates (e.g. Paris MoU 2.23 (2018) and Tokyo MoU 2.43 (2017)) and the positive development of our deficiency rates in recent years are evidence of the success of our SMS. – NfR

AVERAGE DEFICIENCY RATE (2018) – NfR



Accolade from the US Coast Guard

In 2018, the United States Coast Guard (USCG) awarded our Fleet Management and its ships with acceptance into its Qualship 21 programme. This confirms that Hapag-Lloyd operates in compliance with international standards and US laws and regulations to the very highest degree. Fewer than one in ten ships operating in US waters under foreign flags manage to fulfil the high quality and safety requirements to make the cut.

The award is partly due to the exceptional results achieved in the port state controls which were carried out. The accolade also means that the regular USCG checks on board must now take place only once every three years rather than every year, as was previously the case.



Crisis management

In the event of a crisis, our Emergency Manual serves as a guide to avoiding or minimising harm to people, our ships and the company. We have established the following priorities in the manual: – NFR

1. Save lives
2. Save the ship
3. Protect the environment
4. Prevent damage to the Company – NFR

Our Emergency Response Team (ERT) comprises representatives and experts from all the relevant Hapag-Lloyd departments, as well as representatives from external institutions. In the event of an incident, we have at our disposal a team with all of the relevant expertise to properly coordinate the situation and provide the necessary help if required. The team is contactable around the clock for our ships and for charter ships. We have also established clear areas of responsibility and notification channels so that the Executive Board can also be informed as quickly as possible in the event of a crisis. – NFR

Piracy and terrorism

We cannot foresee incidents relating to piracy and, in particular, terrorism. Basic guidelines on risk avoidance, such as the International Maritime Organization's (IMO) Best Management Practices for Protection against Somalia Based Piracy (BMP), are available. However, there is no consensus on which regions pose which risks and how these risks might best be countered. For us, this means that we have to gauge each situation individually. In this context, we also draw on various independent sources of information to give us a comprehensive picture of risks in the areas we travel through. For example, during the reporting period, we received information that the number of incidents in the Gulf of Aden are continuing to decrease.

Our ships follow the recommendations of the BMP as a matter of course. In addition, we perform ship- and route-specific risk assessments for every ship based on the independent sources of information. We evaluate and update these assessments regularly – at least once a year – in order to ensure that we can react to any changes immediately.



OCCUPATIONAL HEALTH AND SAFETY

The requirements of Hapag-Lloyd to ensure the health and safety of its staff vary depending on the employee's field of work and location. We develop tailored preventive and corrective measures to ensure the long-term ability of our employees to work. – NfR



OCCUPATIONAL SAFETY

The majority of our staff works at desks, where there is a very low risk of injury or illness. Employees who work in facility management or in kitchens, warehouses or ports, as well as employees on business trips, receive training from us in accordance with the specific requirements and risks. Business trips, for example, involve different safety risks depending on the destination, and we address these as part of travel safety training. Since 2017, our staff around the world have been able to call a central emergency number when required. – NfR – 403-3

Ongoing improvements to fire protection

With the aid of the updated building control system at our headquarters in Hamburg, potential risks, such as the failure of air-conditioning systems or smoke extraction units, can now be identified much more quickly. By alerting the security staff and emergency services simultaneously, we ensure that the hazards are dealt with as quickly as possible. In addition, we always ensure that we continue to improve our fire protection systems with every renovation or conversion project. For instance, new fire protection doors were installed in the cellar of our headquarters and new emergency lighting in an annexe.

Selected staff members are trained as first-aiders and department representatives in the event of a fire or accident. Regular fire extinguisher practice is held for department representatives and in-house first-aid training for the first-aiders. – 403-3

Specific risks in ship operations

There are specific risks associated with ship operations, including stress caused by noise and by travel through different time zones and climates. There is also a risk of accidents associated with working with ropes and in shifts (see Safe ship operations, p. 40 ff.). – NfR

Workplace accidents in 2018

We record and investigate safety-relevant incidents throughout the Group. In order to continually improve occupational health and safety and to avoid accidents, we develop and implement appropriate measures. In 2018, approximately 11.6 occupational accidents* per 1,000 employees (Hapag-Lloyd AG: 16.1) were reported for sea-based operations. Approximately 2.5 occupational accidents* per 1,000 employees (Hapag-Lloyd AG: 0.9) involving our employees on land were recorded. In 2018, there were no fatal accidents either on land or at sea.*

– NfR – 403-9

WORKPLACE ACCIDENTS (SEA)* – NfR

11.6 per 1,000 employees (Hapag-Lloyd AG: 16.1)

For sea-based employees, reportable accidents are classed as those resulting in at least three days' absence. – 403-9

WORKPLACE ACCIDENTS (LAND)* – NfR

2.5 per 1,000 employees (Hapag-Lloyd AG: 0.9)

For land-based employees, reportable accidents are classed as those requiring at least one day's absence. – 403-9

* Not including commuting accidents

OCCUPATIONAL HEALTH – 403-6

On land, the greatest health risks include lack of physical activity, postural damage, vision disorders and psychological stress. In order to actively counter these risks, we have launched a wide range of measures to promote health and prevent illness. For example, Hapag-Lloyd sponsors the company health insurance fund pronova BKK and is represented on its Administrative Board. This enables us to actively contribute to the structure and orientation of the health insurer, working with it to develop and implement measures to promote health and medical check-ups for our staff in Germany.

One of the measures, which aims to include all staff in Germany, is at least one sports-related campaign every year in the summer. During the reporting year, it was the “Bewegt zur Arbeit” (Active Commute) campaign, as well as the promotion of screenings for colorectal and skin cancer and the flu vaccination. The regular, free services are supplemented by a wide range of fee-based sports offered through our Company sports club, which was

founded in Hamburg in 1953 and has around 500 members. Employees also have the option of making massage appointments at the company facilities.

Focusing on prevention – 403-6

Since 2017, and in partnership with pronova BKK, we have also been offering health awareness days once or twice a year, where staff are informed about workplace design, ergonomics and preventive measures. The staff are also informed via online tutorials about topics such as occupational safety. In 2018, the topic of the health awareness day in Germany was mindfulness. The programme included talks with exercises, as well as beginners' yoga. Fee-based courses on primary prevention were offered for the first time in 2018, with the costs reimbursed by the health insurer upon regular attendance. Further primary prevention courses, including other areas of focus, are planned for the future. A new programme called “Health after work” was also launched, which provides free health talks that take place outside working hours and cover topics like eye health. Regular participant questionnaires help us to adapt the programme to the



needs of employees. We also carry out similar preventive measures in other regions and areas.

At our office in Hamburg, staff can take advantage of additional health-related offerings which are developed and provided by our Company doctors. These include, for example, first aid for acute symptoms, risk factor assessment by means of blood testing, and individual counselling on health and nutrition, including psychological health and addictions. We also provide our employees with vaccinations, free of charge. For private travel, the only fee charged is for the vaccine itself. This offer is very popular with our employees.



Globally, we always adapt the health care initiatives that we have developed and implemented to specific regional requirements. For example, Austrian employee protection law requires us to evaluate psychological stress in the workplace. As a result of the analysis, we held a workshop on effective ways to reduce and manage stress for all staff at the site. During the reporting period, comparable laws and activities surrounding psychological stress in the workplace have also been on the agenda in Italy and at our sites in Antwerp and Gothenburg.

Health management at sea

One particular challenge for our health management team is the medical care of our employees at sea. We therefore take specific measures to protect the health of our employees at sea. In order to be able to work aboard our ships, an employee's fitness for naval service, for example, must be determined; the requirements of which are defined in accordance with the Maritime Labour Convention (MLC), among others, in the Maritime Labour Act. The fitness for naval service is confirmed by certificates and continuously monitored with the aid of software.

Preventive measures such as medical check-ups and voluntary vaccinations also minimise the health risks to seafaring employees. In 2018, we administered numerous vaccinations worldwide and trained our cooks in healthy eating on board. Our high technical communication standards on board allow us to provide medical care with the help of land-based medical centres. We continually work on improving and expanding our care services in this area. — 403-6

Risk assessment for psychological stress

During the reporting period, we began rolling out a risk assessment for mental stress (RAMS). With the planned 2019 RAMS roll-out to include all seafaring personnel employed by Fleet Management, Hapag-Lloyd is going far above and beyond international legal requirements. The key areas of focus here will be external factors (stressors) such as the work environment, work content and organisation, as well as social relationships. Additionally, the RAMS model will examine the effects of these stressors on people (strain), even if they are of secondary importance because they are difficult to influence. The project actively involves the seafaring staff in the form of questionnaires and workshops, so that the assessment of results and the development of structural measures can be carried out in partnership with the staff. We hope that this project will improve the working conditions of our seafarers and thereby reduce their stress. We are convinced that this active contribution to health and satisfaction will further increase motivation while reducing the number of employee absences and turnover.

DANGEROUS GOODS – 306/103, 403-7

As an international service provider, we also transport goods that are classed as hazardous. When transporting dangerous goods, we implement special measures in order to ensure the safety of our staff, ships and the environment. We ensure that our staff on land and sea work in strict compliance with all valid laws and internal regulations. – NfR



For the transportation of dangerous goods, our most important principle is that we do not transport any dangerous goods unless they meet all international, national and local laws and guidelines in full. These include the IMDG Code³, 49 CFR (US regulations), the German Ordinance on the Transport of Dangerous Goods by Sea (GGVSee) and the German Dangerous Goods Officer Ordinance (GbV). Apart from these, there is a range of additional laws and regulations which apply to specific modes of transport and which we adhere to. – NfR

Various aspects of a particular good are used to identify the potential danger that it exhibits. These include its dangerous goods class, global UN number, chemical composition, the external temperature and its moisture content. The hazard potential determines the specific requirements for transport. – NfR

Regulations and processes

The transport of hazardous material poses complex challenges. We counter these challenges through additional regulations based on the “rules of good seafaring” that go above and beyond the law. For example, in order to protect the staff and cargo in the event of a fire, no dangerous goods may be stored in front of or behind the staff quarters on board. This also applies to the outward sides of the ships, to protect the cargo from being struck by waves, pirate attacks or ship collisions. – NfR

All regulations and work processes relating to dangerous goods are detailed in our Hapag-Lloyd Dangerous Goods Manual. This manual is used by our dangerous goods

experts as well as by all relevant parties, such as ship planners and Port Terminal Operations. One section of the manual covers the Restricted List, which lists all the goods that we do not transport for risk-related reasons though it would be legally permissible to do so. If a risk assessment changes, this special section of the manual is updated. We will inform the dangerous goods experts immediately in writing or via a meeting of any changes to the manual or the Restricted List. – NfR

Our dangerous goods experts in the regions are responsible for ensuring the proper handling of dangerous goods in the ports and on ships. They examine every single dangerous good to check that it complies with statutory requirements and that it is loaded on board in accordance with the applicable laws, reporting regularly to the central Hapag-Lloyd dangerous goods officer. – NfR

The Cargo Patrol System

One feature of the dangerous goods management system that we have established as a shipping company is our systematic keyword-based search for undeclared dangerous goods. Our Cargo Patrol System, as it is called, has received several international awards. We declined transport on more than 3,900 occasions in 2018 as a result of undeclared dangerous goods. It is our long-term aim to continue to improve safety in the transport chain beyond the bounds of our Company. In partnership with IBM, we therefore want to make Cargo Patrol accessible to our competitors as well. – NfR

³ IMDG Code = International Maritime Code for Dangerous Goods

Dangerous goods training

Our employees who deal with dangerous goods, such as captains and cargo officers, receive regular training by the Hapag-Lloyd dangerous goods officer in line with IMDG, the German Ordinance on the Transport of Dangerous Goods by Sea (GGVSee) and 49 CFR. We are convinced that well-trained staff will recognise even more irregularities or causes for concern. – NfR

Since 2012: zero

reportable accidents involving dangerous goods – NfR

From 2013 to 2018, Hapag-Lloyd transported over two million TEU of dangerous goods. Since January 2012, there has been no reportable accident involving dangerous goods transported by Hapag-Lloyd. – NfR –306-3

Initiatives and memberships –102-13

In 2011, carriers, insurers and experts came together to create a cargo incident notification system (CINS) in order to record and evaluate cargo or container accidents centrally in one database. This aims for early recognition of positive developments and those requiring urgent action, as well as improved operational safety at all stages of transport. These goals are primarily achieved through the transparent exchange of experiences and best practices by members. Hapag-Lloyd is a founder of this initiative and an active member of its Executive Board. – NfR

Challenges arising from leaks and misdeclarations are addressed in this context. CINS wants to counter this by compiling precise guidelines. We use our Cargo Patrol findings to inform our competitors about cargoes with false declarations. – NfR

We are also an active member of the Association of German Shipowners (Verband Deutscher Reeder) and chair its hazardous goods committee. – NfR



DIGITALISATION AND DIGITAL SECURITY



DIGITAL HUB – CENTRAL PORT OF CALL FOR ALL DIGITAL MATTERS

In the new Digital Hub, launched in 2018, our staff around the world get answers to their questions about digitalisation. This platform supports the transformation that is being implemented through our Strategy 2023 and raises staff awareness of digital topics. The hub is continually updated and expanded with new topics.

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DIGITALISATION

The introduction of digital solutions enables us to draw on efficiency potentials and continue to improve the quality of our services. With our Strategy 2023, we are continuing to pursue this path. Both within the company and with partners, we are developing digital solutions to increase customer satisfaction and our commercial success.

Digital systems have been helping us in our day-to-day work for many years. Thanks to them, we are able to improve quality for our customers and increase revenue, all while reducing costs. We have been using the freight information system FIS since the 1990s, for example. FIS enables us to systematically record important data about the cargo along the transport chain and to provide this information to our business partners and customers.

Digital transformation supports Strategy 2023

Digitalisation plays a key role in the implementation of our new Strategy 2023. We believe that ongoing improvements to existing systems and processes, as well as the development of new, digitally available services and business models, are vital to guaranteeing the best quality possible, which is the basic requirement for satisfied customers and positive growth. The Digital Channel and Incubation Unit (DCIU), founded in 2017, supports the regions and departments with the successful digitalisation of Hapag-Lloyd. It will assume important tasks in the preparation and support of our digital transformation, also guaranteeing that our staff are well informed and aware of digital topics.

Improving customer satisfaction and efficiency

In 2018, we were able to noticeably improve our customer service by updating the mobile app and launching Quick Quotes. Quick Quotes makes it possible to enquire directly about freight rates and book services online (see Customer focus, p. 75 f.). In addition, we have initiated a pilot project with customers that aims to facilitate the live tracking of containers in future. We are also developing innovative and efficient solutions with other external partners in order to meet customer requirements.

Raising employee awareness through transparency and communication

In future, we want to develop additional measures to further raise awareness among our staff for digital topics and to make better use of the opportunities arising from digitalisation. To this end, we created the Digital Hub in 2018 – a Web-based internal platform for raising employee awareness and promoting dialogue on digital topics and internal and external developments. The Digital Hub provides articles and other content, enabling employees to actively take part in our digital growth with feedback or ideas via a comment function.

We continue to work towards being able to conduct big data analyses in future. This means that we will be able to draw conclusions quickly from large amounts of data and use the findings. We are currently creating the technical and structural requirements for this through a data lake project. We also work together with external partners on blockchain solutions, i.e. on the decentralised, transparent logging of processes.

A look at the trends in employee numbers in the DCIU reveals the great significance of these topics for us. In the reporting period, the number of staff increased from three to 14. For next year, we are already planning for at least 19 employees in the Digital Channel and Incubation Unit.

>>>

WE TACKLED THE ISSUE OF DIGITALISATION AT AN EARLY STAGE WITH THE HELP OF OUR IT SPECIALISTS.

As a result, our customers already benefit from outstanding platforms and digital solutions.



“With Quick Quotes, our IT department has created a genuine competitive advantage.”

Dr. Ralf Belusa, Managing Director Digital Channel and Incubation Unit (DCIU)



Our discussions within the team provide us with the best solutions.



Ideas develop and thrive thanks to the wide range of viewpoints and perspectives within the team.

ROUTE OPTIMISATION

We continually strive to optimise our route planning in order to guarantee the efficient and punctual operation of our fleet. Seasonal weather conditions, for instance, influence our planning just as much as the ship's berthing time in the port. Using digital solutions, we can record and analyse the relevant data in order to stay abreast of important developments and to be able to make the best possible decisions for our routes. – NFR

Digital solutions at the Fleet Support Center

While the focus for the digital solutions described above is on the processes on the customer side and on supporting the digital revolution in the company as a whole, the Fleet Support Center (FSC) has been acting as an interface for topics relating to ship operations since 2013. For example, the FSC manages topics where responsibilities have not yet been clearly defined, and where regions and departments have pursued a range of approaches. This is the case with cargo storage planning, i.e. the strategic planning of the ship's cargo, as well as speed and trim management. The FSC, which is engaged in close dialogue with the DCIU regarding potential partnerships, has enabled us to make our processes more efficient and to reduce our costs. – NFR

With the aid of tools such as Navigator Insight (NI) and business intelligence tools such as QlikView and Tableau, the FSC manages Group-wide reporting measures relating to ship operations. It consecutively works on improving data quality in the systems and in 2018, implemented and continually improved data availability in the different areas. – NFR

The NI software makes it possible to create detailed consumption profiles for our ships. At least once every 24 hours, the system uniformly records fuel-related data such as quality, bunker supplies, daily consumption and time of fuel conversion on journeys in protected areas, as well as event-related information such as arrival, departure, waiting times at sea and bunker processes. The data is automatically validated during input. The use of this tool means that we can also guarantee standardised reporting for charter ships. – NFR

The Fleet Decision Support System

The Fleet Decision Support System (Fleet DSS) aids the FSC by collating weather, geographic, route and operational data from a range of tools, including from the NI system, and makes it possible to visualise select data if required. This enables us to monitor our fleet in port and at sea with relatively little input. – NFR

During this reporting period, technological changes were made to improve ad hoc data retrieval in the Fleet DSS. Recently, we have been working with a data lake, which can significantly increase the speed of data retrieval thanks to its flat data architecture. – NFR

Tracking process for the identification and realisation of potential

Generally speaking, all project-related targets are given measurable figures and monitored on a monthly basis. In collaboration with the company Vessel Performance Solutions (VPS) and a Danish university, we further improved the quality and availability of data in early 2018. Furthermore, normalisation of the operational data on schedules, cargo and routes enables us to determine major trends more quickly so that we can make corrections in good time – within one month instead of in three to four months. As part of the project, Hapag-Lloyd provided important data that facilitated model validation, thereby participating in expert discussions. – NFR

One focus of the collaboration with our partners during this reporting period was the early detection of fouling on our ships. By using a new method, we are able to quickly detect changes in water resistance occurring as a result of fouling so we can initiate measures to reduce water resistance (e.g. removal of the source of the fouling). – NFR

Through ongoing tracking, we were also able to identify major potential in ship utilisation levels and the further optimisation of carrying capacity. Our measures also proved highly efficient in improving the security of cargo on deck, as well as on increasing the working load of the hatch covers through structural changes. – NFR

Positive results

In 2018, the measures described above enabled us to achieve savings in bunker purchases and increase the capacity utilisation of our ships. The FSC also plays a major role in ensuring that routes are provided as scheduled. This had a correspondingly positive effect on adherence to timetables and customer satisfaction. – NFR

We share information about the data recorded in the Fleet DSS with relevant business partners on a transparent basis. This enables us, for example, to use the empirical data regarding structural changes both on chartered ships and for our fleet, and to examine the extent to which our business partners adhere to the contractually agreed minimum performance of their ships. – NFR



DATA PROTECTION AND DIGITAL SECURITY – 418/103

The implementation of digital solutions results in an increased responsibility to protect personal and corporate data to the best of our ability. New laws and digital threats have a significant influence on our actions and our decisions in this regard. We pay particularly close attention to the protection of our IT systems. – NfR

While the EU General Data Protection Regulation (EUGDPR) that entered into force in 2018 plays a major role in our EU business activities and the operation of our central IT infrastructure, we are also seeing a major increase in data protection legislation in Asia, Africa and Latin America. Many countries are basing their laws on European legislation. Particularly in Asia, however, there is also a trend towards increased restriction of the international flow of personal and important corporate data. We monitor our processes with regard to more stringent national requirements and adapt them where necessary. In this way, we can always ensure our compliance. We also take these and other security-related issues into account when developing a new cloud strategy. One such pilot project was set up during the reporting period. – NfR

As with other companies in our industry, new IT threats continually influence our work because we have to protect both ourselves and our customers from their effects. For this reason, we continually monitor our technical infrastructure and train our employees in the relevant issues. – NfR

We consistently apply very high technical and process-related standards in order to guarantee IT security and data protection. In doing so, we strive to set ourselves apart from the competition while we meet our customers' specific requirements, such as those placed on us by the central compliance and legal departments of major customers as a result of the introduction of the EU General Data Protection Regulation. Sensitive data, such as employee data and freight information, are also subject to separate technical and legal requirements. We take these into account as a matter of course in all the measures we adopt. – NfR

IT security on board our ships is particularly critical for us. We therefore continually monitor all relevant developments in the field. In recent years, for example, guidelines on the topics of maritime cyber risk management and cybersecurity onboard ships have been developed by the International Maritime Organization (IMO) and the Baltic and International Maritime Council (BIMCO). – NfR

Organisational integration of IT security and data protection

Responsibility for data protection and data security within our Company does not lie with one individual organisational unit but rather with the respective business units worldwide. The Corporate Data Protection Office, which is located at our headquarters in Hamburg, advises the central departments, regions and areas on how to comply with standards under data protection law. To this end, we have established a data protection officer or coordinator for each region and area. The data protection officer/coordinator ensures that the Group's requirements and the local regulatory requirements are being implemented, and coordinates with the Corporate Data Protection Office on relevant measures and changes where necessary. The data protection officer/coordinator is also available on-site as a contact partner for staff and external parties. – NfR

Our central IT systems are monitored, managed and improved by an IT Security team. The team is also responsible for the security of these systems. Ongoing dialogue with external security experts guarantees that the team is always informed of the latest risks. Security incidents, such as cyberattacks and emails containing malware, are logged and processed by the team via a ticket system. – NfR

Security of the fleet's operational systems

We check the security of the operational systems of our fleet separately because there is currently no link between the key systems for ship operations and our land-based IT systems. There is also currently no risk of cyberattacks. However, new acquisitions that have technical external access capability are associated with these kinds of risk, meaning we will have to take preventive security measures in the future. – NfR

We are aware of this new requirement and are actively preparing for it. In the reporting period, for example, we further boosted our staff numbers so that we can deal more comprehensively with the topic of maritime IT security. Furthermore, we launched two projects dealing with challenges such as the requirements of the International Safety Management (ISM) Code (see Safe ship operations, p. 40 f.), which will come into force in 2021. – NfR



In addition, a cybersecurity text will be integrated into the classification programme of the International Association of Classification Societies, which establishes minimum technical standards in the shipping industry. The initiative aims to implement mandatory security standards in 2021 which, among other things, address the increased risk caused by operational technology applications on ships, such as remote access to the main engine. This will soon make cybersecurity another shipping-related security topic, along with the classic aspects of security and seaworthiness of a ship. – NfR

With the IT Security Act that came into force in 2015, the Federal Republic of Germany has implemented the requirements of the European Programme for Critical Infrastructure Protection (EPCIP). As a result of its transport volume, Hapag-Lloyd AG is also subject to the requirements of EPCIP per its June 2017 version. In addition, the implementation deadline for the European Commission's Network and Information Security (NIS) directive passed in the reporting period, meaning that Hapag-Lloyd AG is also subject to stricter requirements in the area of regulating critical infrastructures. There are fewer changes required in the operational specifications of Hapag-Lloyd AG's IT systems than there are in terms of reporting and collaboration with public entities in the field of IT security. – NfR

Informing and training employees

We set great store by ensuring that our staff are well informed about the security topics described above. For this reason, we train our employees in the responsible use of information and data using blended learning. This approach combines several learning methods in one approach. If the law changes or new staff join our ranks, we generally train land-based employees via both Web-based training sessions and on-site seminars led by our data protection experts. Areas that handle sensitive data receive training from us on specific issues as part of risk-oriented corporate management. For example, we prepared Sales and Customer Service employees for the requirements of the EU General Data Protection Regulation via specific Web-based training sessions. – NfR

As planned, we launched a new training concept following the blended learning approach during the reporting period. This combines various training methods, including remote and on-site seminars, as well as course content and news on the intranet. Experiences with the new concept are very positive despite our high standards for conveying insight that goes far beyond the minimum standards of data protection law. We have thus raised our employees' awareness of data protection to an even further extent. – NfR

Our seafaring staff are also trained and informed about security topics. However, for technical reasons, we are not able to carry out Web-based training at sea. Therefore, seafaring staff employed by the fleet management are instructed by officers with access to the content of training sessions. – NfR



Data protection enquiries

We communicate important information regarding data protection in a transparent way, for example via the data privacy statement on our website and in our mobile app. Both our employees and members of the public contact us with specific questions on the issue of data security. Usually, they are looking for more information about how their data is processed by our Company. We have developed new processes – including a ticketing system – for data privacy questions so that we are prepared for an increase in enquiries and can promptly provide detailed information to those concerned. – NfR

We did not record any notifiable violations of data protection policies in 2018. – NfR – 418-1

Outlook

Cyberattacks such as the Petya crisis in summer 2017 showed us that the shipping industry is subject to the same risks as other areas of the logistics sector. For us, this means paying more attention to the integrity and availability of our IT systems in future, and going beyond the legal requirements regarding their maintenance and security. We continually work towards identifying the most suitable processes for both our central IT and local systems. To do this, we must find applicable solutions for various local systems, for example, so as to exclude or minimise risks. Only through sufficient data protection and IT security measures can we achieve sustainable success with digital business models and processes. – NfR

ENVIRONMENTAL AND CLIMATE PROTECTION



MORE TRANSPARENCY IN SHIP RECYCLING

In late 2018, we launched our online platform for the Ship Recycling Transparency Initiative (SRTI), which aims to foster international dialogue between shipowners regarding ship recycling practices. Hapag-Lloyd is one of the founding members of SRTI and supports the efforts to create more transparency and thus establish consistent processes.

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MANAGEMENT APPROACH – 302/103, 305/103, 306/103

Our line of business and our global presence mean that we have responsibility for the environment. It is our aim to minimise the impact on the environment and climate caused by our work at sea and on land. To realise this aim, we apply global environmental and quality management standards and confirm the results via audits. – NfR



In the context of our long-term sustainability policy, we establish company processes to avoid or reduce negative impacts on the environment. This means that we adhere to a range of environmental standards and certifications both at our sites and on our ships. The certifications include the global environmental and quality management standards ISO 9001 and ISO 14001 as well as certifications on energy efficiency (EEDI¹ certification) and the prevention of oil, sewage and air pollution (including IOPP, ISPP and IAPP² certifications). – NfR

We regularly assess our compliance with the requirements of the standards and certifications as well as with applicable environmental laws and regulations by means of clearly defined processes and audits. With the Hapag-Lloyd blueprint, we can ensure, for example, that our sites worldwide have identical organisational structures and integrated IT systems. – NfR

External ISO 9001 and ISO 14001 audits are carried out annually in all regions and at our headquarters. The certification for the integrated quality and environmental management system was renewed for the fifth time in 2018 following the recertification audit by DNV GL. In 2018, the certification included the Middle East region for the first time, which was added as part of the UASC (United Arab Shipping Company) merger the previous year. The audits for our quality and environmental management system include issues such as occupational safety, employee training, customer focus and evaluation of service providers. In 2018, more than 170 (Hapag-Lloyd AG: more

than 90) internal and external audits were conducted worldwide. We use the results of the audits to continuously improve our processes. – NfR

Environmental management for land-based operations is organised centrally and dealt with by Sustainability Management. The implementation of this is overseen by the quality and environmental management (QEM) delegates at the global sites. Fleet Management, and in particular the Environmental Management department, are responsible for sea-based operations. – NfR



In 2018, the International Maritime Organization's (IMO) Marine Environment Protection Committee (MEPC) declared its commitment to reduce absolute greenhouse gas emissions by 50% by 2050 as compared with 2008. Hapag-Lloyd supports this ambitious goal. – NfR

Independently of this Group-wide target, Hapag-Lloyd intends to reduce its specific CO₂ emissions per

¹ EEDI = Energy Efficiency Design Index

² IOPP = International Oil Pollution Prevention Certificate,
ISPP = International Sewage Pollution Prevention Certificate,
IAPP = International Air Pollution Prevention Certificate



TEU-kilometre³ by 20% by 2020 as compared with the base year of 2016. We quantify the success of our measures by the degree to which both Group-wide and local environmental and quality objectives are achieved. We audit this annually and make updates where necessary. – NfR

The audit and update of these measures applies to all our goals for contributing to environmental protection. For example, Fleet Management aims to reduce bunker consumption by minimising resistance in the water. To this end, three of our ships' hulls underwent cleaning during the reporting period. Furthermore, ship-specific Biofouling Management plans were developed in order to reduce fouling on the ships' hull. – NfR

³ In accordance with the calculation method of the Clean Cargo Working Group (CCWG)

Another contribution is our reduction of the energy consumption of the various pump systems on board. This is achieved through the installation of a frequency-reducing regulator. – NfR

-20% CO₂ emissions

per TEU-kilometre³ by 2020 (base year 2016) – NfR

We also contributed to the reduction of specific CO₂ emissions during the reporting period by equipping eleven ships with mixed stows. This will enable us to achieve higher capacity via greater flexibility in the use of slots. – NfR

CLIMATE PROTECTION AND REDUCTION OF EMISSIONS – 102-11

Reducing the greenhouse gases produced by our ships is a key goal of our climate protection strategy. The focus of our efforts is on increasing energy efficiency, strict requirements for newbuilds and measures for the reduction of bunker consumption. – NFR



EFFICIENT SHIPS – 302/103

The increasing regulatory requirements with which Hapag-Lloyd is confronted are challenging from both a technological and financial perspective. Hapag-Lloyd always aims to achieve the lowest possible use of energy required in order to comply with the regulations and provide the best possible transport service. This means that our focus is on seeing the changing regulations as an opportunity to reduce our own impact on the environment and thus contribute to the protection of humankind and the natural world. At the same time, Hapag-Lloyd is committed to ensuring that the regulations are equally binding for all companies. – NFR

Whether we're building new ships or modernising our fleet, we rely on the latest technologies and designs. Based on their exceptional maintenance, our ships can stay in service for a lengthy 25 years. We have seen that investing in the efficiency of our ships has a positive impact in the long term on the environment and our competitiveness. – NFR – 302/103

Specifications for newbuilds – 302-5

For every new ship that we build, we develop a design based on the latest technical efficiency and environmental standards. We use the Energy Efficiency Design Index (EEDI) to determine the success of these efforts. This index establishes a relationship between the engine output, specific fuel consumption and CO₂ factor, and the capacity and speed of the ship. No new ships went into service in 2018. In the previous year, due to the installation of the latest technologies, the EEDI rating of the five new

ships was around 40% to 60% below the IMO reference line for similar ships. – NFR

We continually upgrade the ships in our fleet. As we would have to take the ships out of regular service for several weeks for a reassessment according to EEDI, we will forego a reassessment, even though it would likely lead to much better EEDI values.

Modernising the fleet to increase efficiency – 302-5

In order to increase the energy efficiency of our existing fleet and comply with regional laws, we are gradually retrofitting ships on certain routes with "cold ironing" ship-to-shore connections. This ensures that power is supplied from the on-shore electricity grid while the ship is docked at the port. As a result, the auxiliary engine is no longer used to produce electricity, therefore almost no emissions are released while the ship is docked. In 2018, we were able to complete installation work on board the "Ningbo Express", as well as successfully complete the initial commissioning of the "Colombo Express". We are also pushing ahead with the installations on board our "Hamburg Express" class ships. We are thus in compliance with the provisions of Californian legislation. In many ports, modernisation work is still required to create the technical conditions for an electricity supply. – NFR

We continually monitor changing requirements in ports that are relevant to us, noting for example that California's regulatory requirements had become more specific and more stringent. Starting in 2020, 80% of the power supply used in Californian ports must be covered by the on-shore grid. By the following year, this quota is likely to rise to



100%. Requirements in some of the Chinese ports are also increasing, even though they are not binding already.

In addition to retrofitting its ships to accommodate the on-shore power grid, Hapag-Lloyd also tested other options for an environmentally friendly power supply for docked ships during the reporting period. Ships in the Port of Hamburg were supplied with electricity via PowerPacs for the first time. These are containers that hold gas-powered generators and a tank of liquefied natural gas (LNG). The containers take over production of on-board electricity from the ship's auxiliary engine, which results in a significant decrease in emissions. The next step is to conduct an operational and commercial evaluation of the tests together with our project partners.

We achieve further significant reductions in fuel consumption and greenhouse gas emissions via hydrodynamic optimisation of the bulbous bow in line with the reduced speed profile of the ship. At the same time, the propellers are also optimised in line with this required speed profile. These optimisations lead to improved water resistance, which results in energy-efficient performance and leads to further reductions in emissions. During the reporting period, we optimised three bulbous bows. – NfR – 302-5

Energy consumption in fleet operations

With our Safety Management Manual (SMM) and Ship Energy Efficiency Management Plan (SEEMP), we have set clear guidelines to keep our bunker consumption, i.e. our fuel consumption, as low as possible. We continuously monitor adherence to the guidelines and immediately inform our seafaring staff in writing of any changes. For example, in 2018, we sent a fleet circular to

our seafaring staff on the ships under Fleet Management regarding updates on fleet monitoring, speed regulation, trim optimisation and reporting, in order to further improve the energy efficiency of our ships. – NfR

We are increasingly using LED lights on board our ships. At the same time, we are gradually retrofitting our seawater pumps to frequency control, which helps optimise load-dependent pumping. These measures also help cut CO₂ emissions by lowering electricity consumption on board. – NfR

Our bunker consumption in 2018 totalled 4.4 million tonnes, which was an increase of around 12% over the previous year (previous year: 3.9 million metric tonnes). This increase was due to the growth of our fleet as a result of the merger with UASC. This means that the figures are not always comparable. – NfR – 302-1, 302-3

Around 13% of total consumption (previous year: 13%) consisted of low-sulphur bunker fuels (MFO low sulphur and MDO). – NfR – 302-1, 302-3

Bunker consumption per slot (in terms of average annual container TEU capacities on a weighted monthly average of all ships operated for us in 2018) also decreased from 2.85 metric tonnes in 2017 to 2.75 metric tonnes. – NfR – 302-1, 302-3

2.75 tonnes

of bunker consumption per slot (in terms of the average annual container TEU capacities on a weighted monthly average of all ships operated for us in 2018) – NfR – 302-1, 302-3

CUTTING EMISSIONS – 305/103, 305-1, 305-4

The main drivers of our emissions are bunker consumption and bunker quality. Since 2007, we have cut our specific CO₂ emissions by around 49%⁴ through numerous measures. We want to ensure that this positive trend continues. Our expressed target is to reduce specific CO₂ emissions per TEU-kilometre⁵ by 20% by 2020 (base year 2016). – NfR

13,741,356 tonnes of CO₂

in total (based on fleet bunker consumption) – NfR

Lowering emissions through active membership

For over ten years, we have been a member of the Clean Cargo Working Group (CCWG), a global business-to-business initiative. It includes large shipping companies, global traders and producers that want to promote responsible shipping through standardised reporting. The shipping companies represented in the CCWG account for around 85%⁶ of the volume of the global container fleet. A report published annually by CCWG shows that we have continued to reduce our specific emissions by around 5.5% compared with 2016.⁷ – NfR – 102-12

As part of our Carbon and Sustainability Pact, which we have signed up to with Kühne + Nagel, we have committed to reducing the CO₂ emissions of our joint container transport. – NfR

We are a member of the Global Logistics Emissions Council (GLEC) and the EcoTransIT World Initiative (EWI), an independent platform for transport companies, shipping

4 The reduction in specific CO₂ emissions based on the CCWG method relates to 2017. The value for 2018 was not yet available at copy deadline, as the external calculation was conducted downstream.

5 The value is calculated based on the CCWG method.

6 This value may fluctuate due to market conditions and changes in membership.

7 The reduction in specific CO₂ emissions based on the CCWG method relates to 2017. The value for 2018 was not yet available at copy deadline, as the external calculation was conducted downstream.

agents and logistics service providers. In both of these initiatives, we work to develop transparent evaluation criteria for the industry's impact on the environment, such as with uniform calculation standards for emissions. In doing so, no commercially sensitive information is published as this could lead to competitive disadvantages and violations of competition law. – NfR – 102-13

We support the objectives of the International Chamber of Shipping (ICS) as well as of the World Shipping Council (WSC) and the Baltic and International Maritime Council (BIMCO) for the reduction of CO₂ emissions in current negotiations with the IMO and the United Nations Framework Convention on Climate Change (UNFCCC). We also support corresponding objectives in environmental committees of the European Community Shipowners' Association and at podium discussions in the European Parliament. – NfR – 102-13

45.65 grammes CO₂

per TEU-kilometre⁸ (based on fleet bunker consumption) – NfR

Based on the laboratory tests we commissioned, we have determined that the acquired bunker has an average weighted sulphur content of 2.26%. This puts us well below the maximum amount of 3.5% required by the IMO for marine areas outside emission control areas (ECAs). Special statutory regulations on fuel quality apply to many of these special protection zones in order to improve air quality in coastal areas. – NfR

As a member of the Trident Alliance and a participant in political forums, we campaign to ensure that the IMO's decision to restrict sulphur content to 0.5% throughout the industry from 2020 is adhered to, as well as the ban on non-compliant bunkers. We are currently developing measures for global implementation on various expert

8 The specific CO₂ emissions based on the CCWG method relate to 2017. The value for 2018 was not yet available at copy deadline, as the external calculation was conducted downstream.

>>>

WE ALWAYS LOOK FOR THE BEST SOLUTIONS.

Our teams continuously enhance the technical equipment on board ships to increase the efficiency of fleet operations – making them reliable, sustainable and state-of-the-art.



We are working together to further increase the efficiency of propulsion systems in shipping.

“With each retrofitting, we make another contribution to climate protection.”

Dr. Uwe Lauber, CEO of MAN Energy Solutions SE



The retrofitting of the 15,000 TEU ship is another step towards sustainable shipping.

panels.⁹ During the reporting year, we were confirmed as a member of the European Commission's European Sustainable Shipping Forum (ESSF) for a period of five

years. In addition to the restrictions on sulphur content, the forum discusses many other topics with a view to improving the environmental impacts of commercial shipping. – NFR

⁹ Including as part of the WSC delegation on the IMO MEPC (Marine Environment Protection Committee) and the IMO PPR (Pollution Prevention and Response) subcommittee

Compliance with the maximum permissible sulphur content can largely be achieved by implementing three key measures:

1. The easiest to achieve in the short term for all ships is the acquisition of compliant bunkers. This measure can initially increase the cost to Hapag-Lloyd of buying bunkers with low sulphur by about USD 1 billion per year.
2. The second measure is to switch to LNG, which is not possible for all ships. This is associated with high one-off retrofitting costs of about USD 25 to 30 million per ship. For 2020, we are planning to convert one ship to LNG by way of a test run in order to evaluate this option during normal operation.
3. As a third measure, systems for cleaning exhaust gases, known as “scrubbers”, can be used on board some of our ships. This less cost-intensive option, which has an investment cost of between around USD 7 and 10 million per ship, is to be initially tested and evaluated on ten ships as of 2019.

We also take part in voluntary environmental protection programmes in various ports, such as the Environmental Ship Index (ESI), for which all of our ships are registered. As part of this initiative, port companies reward ships with ESI scores significantly above those specified by the local port authorities.

Our customers can obtain transparent information about the various emissions in their transport chain using the [EcoCalculator](#) available on our website free of charge. The emissions are calculated based on data from the CCWG and EcoTransIT World.

We received accolades for our environmental action again in 2018. We again were awarded the GoGreen Carrier Certificate from DHL Global Forwarding. The evaluation criteria were amongst other things CO₂ efficiency, transparency and innovation.



ENVIRONMENTAL AND WATER PROTECTION

– 304/103, 306/103, 307/103

We protect maritime ecosystems wherever possible and take this task very seriously. Ballast water is of major significance on board our ships and a topic that we handle with great sensitivity. – NfR



BALLAST WATER

The IMO's Ballast Water Management Convention came into force in September 2017 with the aim of preventing the proliferation of invasive species through the ballast water that stabilises ships in transit. It requires all container ships to implement a specific ballast water management plan. Our entire fleet already meets this requirement in full. In addition, a ballast water treatment system to purify ballast water must be installed on every ship within a mandatory time period of up to seven years. – NfR

The regulations of the US Coast Guard for the protection of American waters go beyond IMO requirements. Currently, only 16 systems for ballast water treatment fulfil these high requirements worldwide, so that temporary exemptions must sometimes be made. We have had our existing systems approved temporarily as an alternative management system by the US Coast Guard. However, we are working to gradually retrofit our ships in order to meet the requirements of the IMO and US Coast Guard in good time. – NfR

We regularly examine the water protection management systems that we have already implemented. Here, for example, we draw on the number of substances released that are listed under the International Convention for the Prevention of Pollution from Ships (MARPOL) as well as on breaches of ballast water guidelines. During the reporting period, no such substances were released

by our ships, nor were there any breaches of this kind. – NfR – 307-1

Zero spillages

(including oil) affecting the maritime environment
– NfR – 304-2, 306-3



SHIP RECYCLING – 301/103, 301-2

The protection of people and the environment is a high priority for us that extends beyond the end of a ship's operations. Our Hapag-Lloyd Ship Recycling Policy, which we updated in 2018 in line with current EU law regarding the Inventory of Hazardous Materials (IHM), reflects our commitment to reducing negative impacts on society and the natural world, even through the recycling of our ships. We therefore insist that every newly built ship is equipped with an IHM.

Hapag-Lloyd is also a founding member of the Ship Recycling Transparency Initiative (SRTI), founded in March 2018 by shipping companies, banks, shipowners and charities. SRTI aims to communicate to a wider public the obligation of the industry to recycle its ships in an environmentally friendly way under safe working conditions. Hapag-Lloyd's involvement in the initiative includes sitting on the steering committee in order to expand its scope. To this end, the initiative established its own website late in the year. – 102-12

In 2018, we recycled four ships. In doing so, we selected a suitable shipyard that is certified in accordance with ISO 14001, guarantees safe working conditions and issues an IHM for each ship. We also commission a recognised, neutral organisation to define, monitor and document the entire recycling process on our behalf. To ensure that downstream disposal is environmentally sound, the shipyard is also expected to fulfil the requirements of the EU SRR (Ship Recycling Regulation) insofar as possible. Furthermore, it must adhere to the guidelines of the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, even though they are not yet mandatory. Hapag-Lloyd explicitly supported its ratification by the German Bundestag in 2018.

Hapag-Lloyd's commitment to responsible ship recycling was rewarded with the DNV GL's Excellence Green Star Award following an independent assessment.

PLASTIC POLLUTION IN THE SEAS

While the topic of plastic waste in the world's oceans has only recently gained relevance in public discourse, the shipping industry has set a good example concerning the matter for decades. As early as 1973, the IMO passed a resolution on the prevention of pollution by ships, known by the acronym MARPOL. The environmental regulations stipulate, among other things, how ships must handle oil, hazardous liquids, waste water and waste. The regulations have continued to be updated over time.

From the start, Hapag-Lloyd aimed to be a role model on this issue. This is manifested in our credo "No garbage into the sea", which has been a living reality for decades. Thus, waste on board is collected, separated and deposited in respective ports for proper disposal in line with local environmental regulations. Not least as a result of the shipping industry's commitment, the biggest plastic polluters of the seas are on the shore. For this reason, Hapag-Lloyd promotes projects that protect the oceans and their inhabitants. (See our commitment to the environment in the chapter entitled "Social" on page 79.)

SUPPLY CHAIN



MORE EFFICIENT BOOKING WITH “QUICK QUOTES”

Our new Quick Quotes platform is a complete success: towards the end of the year 2018, around 6% of bookings have been processed using it. Quick Quotes enables our customers to enquire about their freight rates directly and to make bookings. Thanks to this streamlined booking process, we are now able to focus more effectively on our customer service in other areas.

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MANAGEMENT APPROACH – 102-9, 102-10, 301/103, 307/103, 308/103, 414/103

In order to be able to provide our clients with the services they expect, we not only offer our own services but also source significant financial and material amounts of products and services from numerous global suppliers. The professional management of external added value is thus a major factor in Hapag-Lloyd's success.

The portfolio of goods procured is extremely diverse, ranging from office materials and replacement parts for ships to containers, bunkers and even 19,870-TEU container ships. The externally sourced portfolio of services includes shipments, terminal handling and maintenance, but also training and consultancy services. The high technological standards and diversified market structures for our global needs, as well as the wide range of products and services, drive the complexity of our procurement activities. In addition, the latest worldwide legal requirements must be complied with at all times and any changes integrated into our processes early on.

Other factors that must be taken into account when making sourcing decisions include the effects on the capital structures of our Group, as well as agreements with our partners in the THE Alliance. Thus, effective and cost-conscious handling of a joint service requires, for example, agreement on the terminal(s) to be contracted. In turn, not only existing contracts but also the advantages and disadvantages for all partners are considered; these financial aspects influence the decision-making process.

Around
€10,525
million

in purchased goods and services

In 2018, we procured goods and services worth around EUR 10,525 million. The year-on-year increase in the procurement volume can be explained by the integration of UASC (United Arab Shipping Company) and the rise in bunker prices among other things. – 102-10

Our Company's core business is services. For this reason, we do not calculate the percentage of renewable or recyclable materials for externally procured materials. If a ship from our fleet is decommissioned, nearly all the component parts are recycled (see Ship recycling, p. 66). – 301-1, 301-2

Procurement organisation

For the goods and services procured, we consider availability, quality and best possible prices as a matter of course. Our procurement organisation is also oriented towards the prevailing requirements and market structures. We guarantee perfect management of our procurement activities through our centralised Global Procurement organisation. Global Procurement's remit is primarily to harmonise procurement processes and to train procurement staff around the world in modern purchasing methods and systems. Global Procurement also works together with the mandated procurement organisations to guarantee the best possible penetration of our externally sourced goods and services. They do this via the identification and realisation of bundling potential in the material areas for which they are responsible, and by creating transparency about the procurement activities themselves.

In addition to central procurement, some procurement responsibility is also delegated to the regions and areas, with Global Procurement ensuring functional management. Those individually responsible receive strategic and



methodological support or active support with the implementation of measures.

This organisational structure enables us to satisfy our requirements with the best possible quality of goods and services, while simultaneously and effectively guaranteeing organisational cost responsibility. As a result of the standardised global processes and systems that we combine with our regional knowledge of the markets and their requirements, we ensure that we can make optimal procurement decisions based on quality, availability and cost.

Global Procurement is currently working together with local procurement units on a variety of projects. In addition to the further improvement of the cost structure and the associated boost for Hapag-Lloyd's competitive edge, the aim of these projects is primarily to strengthen our expertise in procurement in order to be able to manage the relationships with our suppliers even more sustainably.

Global "Agora" project to promote excellence in procurement

The "Agora" project aims to identify and implement additional potential, as well as to monitor the strategic¹ and operative² procurement process for efficiency and compliance, among other things. During the implementation of improvements, we have identified the following key success factors in particular:

- Clear delineation of roles between strategic and operative procurement
- Increased automation in the commissioning of suppliers
- Establishment of sustainable assessment and development processes for suppliers

In addition, the Methods, Processes and Controlling (Global Procurement MPC) department, established in 2017, trains the Procurement team on the application of advanced procurement and supplier management

¹ Including determination of targets, requirements/market/supplier analyses, definition and implementation of tendering and negotiation strategies, procurement performance assessment and contract management
² Including realisation of savings potential within the scope of actual orders, as well as the assurance of efficiency and compliance with these operational activities

methods. In the process, experience acquired during the project is systematically recorded. The department works alongside the other relevant departments on the implementation and ongoing improvement of procurement processes and systems.

In 2018, the optimisation of procurement activities in various areas from the regions Europe and Asia was actively supported by the other regions and by Global Procurement in phases which lasted several months. In 2019, we will roll out these methods in other areas and continue to improve them based on the experiences garnered so far.

More efficient processes in collaboration with our business partners: terminal partnering

In addition to internal optimisations, we are also working together with our business partners on continually improving processes. As part of the “Terminal Partnering” project, the individual processes before and after arrival at the port, as well as during handling, are analysed by Hapag-Lloyd staff and the terminal operators. This aims to shorten the time required for the port call and for the use of terminal services (such as container storage). The information required for this, which is currently recorded locally, will be provided in future by the Fleet Support Center. The data helps the project team to work out advance hypotheses regarding processes needing improvement, which are then tested on-site. In 2018, for example, time and cost savings were identified in Jebel Ali (Dubai) and Colombo (Sri Lanka) via the following measures:

- Early communication of anticipated arrival time
- Improved communication with authorities and service providers in order to shorten waiting times on arrival and departure
- More efficient use of terminal trucks
- Optimised cargo storage planning in coordination with the terminal
- Avoidance of work interruptions for the gantry cranes

Supplier management — 102-9, 308-2, 407-1, 414-2

It is important to us that we build trusting and long-lasting ties with our partners and that we maintain existing relationships. Our structured selection processes, the evaluation and development of our suppliers, and the systematic identification and evaluation of risks in the supply chain all play a major role in achieving this.

Our sustainability policy and the quality and environmental management (QEM) manual are other important bases for our supplier management strategy. In our QEM manual, we have established a consistent approach to supplier qualification and assessment, where we communicate to suppliers the same understanding of the basic values inherent to our partnership, regardless of whether the responsibility for procurement is regional or global.

If we decide to engage in a supplier relationship, we require the business partner to sign our supplier code of conduct. Alternatively, our partners may establish their own standards with the same minimum requirements to ensure that they also share our corporate values.

Our sourcing decisions are based on specific criteria: depending on the nature of the regional market and the flexibility of services available on the route, we are sometimes only able to rely on a limited number of business partners, e.g. terminal service providers. Here, the decision on whether we serve a particular route is followed by a sourcing decision on how to cater for this service.

We also take social and environmental topics into account during the selection process. For example, we evaluate IT products based on criteria including energy consumption, emissions and other environmental factors (green IT), as well as compliance with the relevant certificates (e.g. the German ecolabel Blue Angel for printers). We also provide services – where possible and reasonable – using local service providers in order to save on journey times.

Throughout the partnership, our service providers regularly inform our Procurement team about how they tackle environmental and social challenges within their field of business, and how they distinguish themselves from the competition in terms of these topics. Port and terminal operators, for example, highlight how they lower the diesel consumption of cranes, produce electricity in a resource-friendly way or reduce truck waiting times. When selecting suppliers, we factor these criteria into our sourcing decision as well.

We require a self-assessment from all suppliers with high supply volumes. The suppliers must submit them every two years or undergo audits – generally performed by Hapag-Lloyd – on topics such as quality, compliance,

employee requests, the use of subcontractors, IT security and the environment. If a supplier fulfils our requirements, we add them to our Approved Supplier List (ASL). If a supplier does not fulfil our requirements, we make a record of deficiencies and remedial measures. If these measures are not implemented satisfactorily, we terminate the contract.

Procurement guidelines – 102-10, 307-1, 419-1

We are also reviewing our procurement guidelines as part of the further development of Global Procurement. By launching our eProcurement systems, we aim to describe our processes in more detail using the relevant workflows, and to harmonise and standardise them. In this context, we are currently revising our present procurement guidelines and introducing new reporting guidelines. We reflect regional differences where necessary with regional appendices agreed upon with Global Procurement.

In 2018, there were no significant breaches of our ecological or social standards in our supplier relationships managed by Global Procurement. If the regions or areas identify potential breaches in their areas of responsibility, remedial measures are established here as well and subsequently reviewed.

Future development of procurement – 102-10

We selected a global eProcurement tool in 2018 and are currently in the process of implementing it. The tool will help us to harmonise processes, increase efficiency and further professionalise our procurement activities. In addition to processing tenders and contracts electronically, it also offers us the opportunity to provide relevant information about the business relationship with suppliers in the Group, to carry out strategic assessments and to manage both the process for the agreement on objectives and the development of suppliers. Our aim is to increase transparency and develop sustainable measures for improvements, as well as identify focus topics for areas of activity. The tool also presents supplier qualification measures, so that all mandated procurement areas can draw on this information. The tool is set to go live, and global roll-out to commence, in 2019. The implementation of the downstream module (purchase-to-pay process for selected areas of the indirect material) is due for launch in mid-2019.



ENVIRONMENTALLY FRIENDLY PROCUREMENT

One of our Company's core activities is the procurement of containers and fuel. We use strict selection criteria to ensure that we comply with technical standards and environmental regulations. We are also increasing the percentage of steel-floor containers in our container fleet. These are more environmentally friendly and long-lasting than conventional containers and ensure that the cargo is more secure.

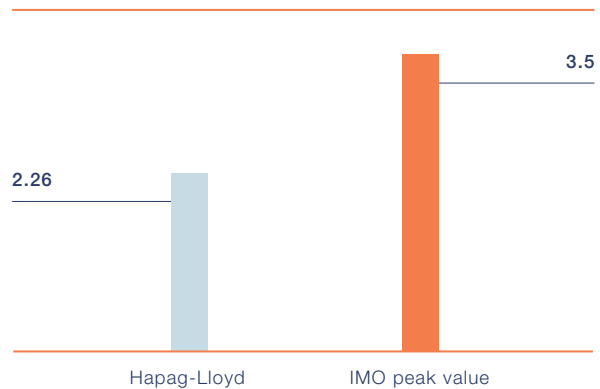
BUNKER PROCUREMENT – 301-1

One major criterion for bunker procurement is that they have the highest possible energy content, which helps to keep costs and emissions down. In terms of fuels, we differentiate between distillates (MDO/MGO³) and residual oils (IFO/HFO/ULSFO⁴); both fuel categories are distinguished by their heating values, which are calculated using analysed ISO specifications. During the tendering process, we ask potential suppliers for the heating values of the distillates. An independent expert checks the delivered quantities on-site and takes samples for laboratory testing for factors including sulphur, ash, water and density, which will be used to calculate the heating values. – NFR

In 2018, we received laboratory analyses for around 96% of our deliveries, for which we calculated the weighted average sulphur content. During the year, we procured a total of 285,093 metric tonnes of distillates with a weighted average of 42.64 MJ/kg and 4,011,859 metric tonnes of residual oils with a weighted average of 40.36 MJ/kg. This means that energy needs from bunker purchases were around 174 million GJ. – NFR

³ MDO = Marine Diesel Oil, MGO = Marine Gas Oil
⁴ IFO = Intermediate Fuel Oil, HFO = Heavy Fuel Oil,
 ULSFO = Ultra Low-Sulphur Fuel Oil

WEIGHTED AVERAGE SULPHUR CONTENT (IN %) (2018) – NFR



CONTAINER PROCUREMENT

Container floors

As a result of the load due to the transportation of heavy goods, the floor is the part of a container that is most often damaged and must be replaced. We are currently using hybrid floors, for example. These are made of bamboo and wood.

In light of this, we have examined whether floors made of recyclable used plastic could be an alternative. We decided in favour of our own internally developed containers with steel floors, as they are environmentally friendly, clean, stable and secure.

In our opinion, steel-bottom containers also represent the best long-term technology. Even though bamboo floors are made from a fast-growing raw material, they are seen as a bridging technology because they are less durable due to their lower tensile strength, among others.

40,100 TEU

steel floor containers since 2015

Since 2015, we have procured around 40,100 TEU with steel floors – corresponding to around 2% of our fleet. This means that we were able to further pursue our aim to increase the number of steel floor containers in our fleet in the reporting year. For standard containers, we currently estimate a useful life of 13 years, which means that switching to steel containers is a long-term goal. The number of manufacturers supplying steel floor containers increased by two in 2018, though this is still insufficient to meet demand. Further investments will be necessary on the part of the manufacturers in order to ensure sufficient supply. With our increasing demand, we aim to motivate manufacturers to expand their capacity. We are engaging in open discussions with competitors and container leasing companies, and talking to our customers about more widespread use of steel floors.

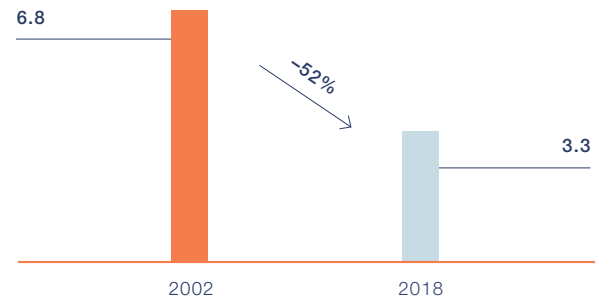
In order to increase the acceptance of steel floor containers, we work on raising our customers’ awareness of the advantages. We primarily do this in customer discussions, via information material, or with offers of assistance regarding cargo security. This last aspect is of particular importance because modern security options combined with steel floor containers can significantly increase the security of the cargo. Furthermore, steel floor containers have a longer useful life, are more stable and offer more storage space.

In partnership with the Institute of International Container Lessors (IICL) and the Container Owners Association (COA), we are working to develop innovative container standards.

REEFER CONTAINERS

One major aspect of goods transportation is reefer containers. They are equipped with a unit that can keep the container at a steady temperature of between –30°C and +30°C. Hapag-Lloyd has a reefer fleet comprising a total of around 185,500 TEU. Two sustainability-related issues here are energy efficiency and environmentally friendly cooling agents.

AVERAGE ENERGY CONSUMPTION PER 40-FOOT REEFER CONTAINER (IN KWH/UNIT) – NFR



Energy efficiency – 302-3

The reefer units are classified as “efficient” or “inefficient” and are available in varying degrees of effectiveness. We have only been using units with high energy efficiency ratings for many years now. In order to ensure that classification is independent and robust, we also conduct our own efficiency tests on most of the models under specified load conditions. This also includes various external and simulated operating temperatures. The results of these tests help us to determine the ideal usage type for each reefer. The average energy consumption per 40-foot reefer container has decreased in the last 16 years, from 6.8 kWh/unit (2002) to 3.3 kWh/unit (2018). – NFR



Environmentally friendly cooling agents

International regulations on avoiding greenhouse gases are very stringent. The requirements are set out in the Montreal Protocol and the EU regulation on fluorinated greenhouse gases, among others. We see these regulations as the impetus for us to take action in the selection of cooling units and the types of coolant they use.

One particular challenge is that there is no single industry standard as yet, and that manufacturers continue to develop different solutions. We are supporting these measures by testing new technologies and alternative cooling agents. For example, we are testing containers that use CO₂ as a cooling agent.

CUSTOMER FOCUS

Our positioning on the market as a high-quality provider is a major driver for our company. We focus on providing reliable and high-quality services to the approximately 30,200 customers around the world for whom we carry out transports.

Our fundamental aim is to maintain a diversified customer portfolio consisting of direct customers and freight forwarders. In order to plan as effectively as possible, we place great value on long-term contractual relationships. We have a well-balanced customer base comprising large, medium-sized and smaller clients with short-term, medium-term and long-term contracts.

Finally, as a customer-focussed company, customer satisfaction and loyalty are of particular importance to us in maintaining this well-balanced customer portfolio. The burden of proof specified by ISO 9001 certification attributes even greater significance to this matter.

We carried out wide-scale market research as part of the new Hapag-Lloyd Strategy 2023. The results show that on-time delivery and contact partners who are both available and able to respond quickly in all phases of transport are major factors in customer satisfaction. To guarantee them, various departments work hand in hand in different areas across the regions, based on the blueprint organisational approach. The Sales department is responsible for customer communication before the commission, for example. The customers are hereby informed about relevant sustainability topics during tendering processes. The booking process and customer care are dealt with by Customer Service. Coordinating the practical implementation of an order, i.e. the actual transport itself, is handled by Operations.

The departments continue to work on improving customer satisfaction, for example by developing basic functions such as customer service, booking enquiries and the provision of information and documents.



In August 2018, Hapag-Lloyd launched Quick Quotes, an expansion of the comprehensive Web-based self-service platform known as the “Web Channel”. This has enabled Hapag-Lloyd to make a major contribution towards improving handling of customer enquiries. Quick Quotes, which is integrated into the Web Channel, enables our customers to receive immediate online information about freight rates, for example. In the past, this took much longer. Furthermore, the customer can immediately submit orders and download documents via the Web Channel. This enables us to better respond to customer requirements and improve our level of service.

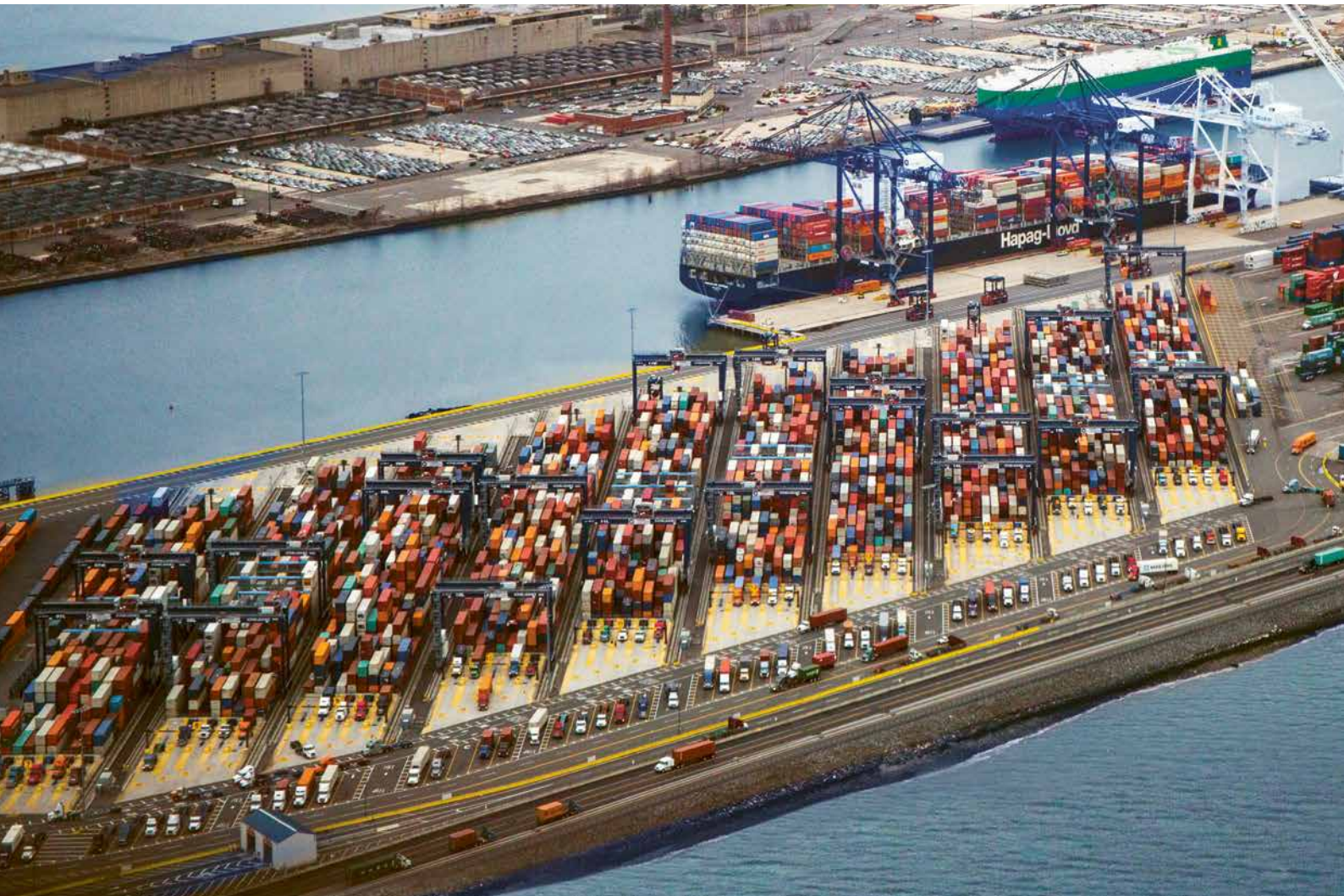
Our mobile app has also had several new functions added. In addition to the existing capabilities, such as tracking, timetable information and contact options, the app can now be used to enquire about freight rates and to make bookings. Other digital products for our customers are in the planning and development stages and are undergoing continual improvement.

Customer surveys

In the reporting year, Hapag-Lloyd carried out its first globally standardised, and thus comparable, customer survey, in which several thousand customers took part. Analysis of the results enables us to identify potential areas for improvement on topics such as responding to booking enquiries or providing information and documents. We also used the results to analyse how we could further improve the satisfaction and loyalty of our customers, as part of a follow-up project in conjunction with respondents to the survey. As a result of our positive experiences, we intend to standardize the customer survey in the future and conduct it several times a year.

Programme for setting ourselves apart from the competition

Also in 2018, we developed a programme to help us stand out from the competition. There will be various initiatives connected to this in the future. The programme aims to deal with existing problems and challenges to customer satisfaction and to develop new solutions that will enable us to differentiate ourselves from competitors. A Voice of the Customer process will play a key role in developing and implementing the initiatives.



SOCIAL



ALBERT BALLIN AWARDS GIVEN FOR THE FIRST TIME

To mark the 100th anniversary of the death of Albert Ballin, the former general director of Hapag, we presented the Albert Ballin Awards for the first time in a celebratory awards ceremony. The awards are given to people or institutions that take social, cultural and political responsibility and thereby embody the values of the legendary Hamburg native.

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CORPORATE SOCIAL RESPONSIBILITY

As a traditional Hanseatic company, our values play a major part in how we see ourselves. They are anchored in our corporate culture and guide our perception of our social responsibility. We are involved in causes beyond our Company's boundaries – both financially and through our employees' active efforts. Our focus here is on the areas of shipping and all the activities associated with it.

DONATIONS AND SPONSORSHIP

Via our donation and sponsorship activities, we support maritime organisations such as seafarers' missions, the German Maritime Search and Rescue Association (DGzRS) and museums and memorials with a maritime dimension.

Our donation activity is guided by our economic success and is transparently regulated by a policy that applies to the entire Company. This policy also stipulates that no donations may go to political parties. Corporate Communications is informed of all financial expenses in advance of each donation and establishes the annual budget in consultation with the Executive Board at the start of the year.

In the 2018 reporting year, we spent a total of EUR 421,100 on our CSR activities worldwide.



Marking the 100th anniversary of the death of Albert Ballin

To mark the 100th anniversary of the death of Albert Ballin, Hapag-Lloyd launched three new sponsorship prizes in 2018. They will each be awarded every four years. The two Albert Ballin Awards for Globalization Research, each worth EUR 5,000, are awarded to young scientists whose exemplary research broadens and deepens our understanding of the risks and opportunities of globalisation. By awarding these two awards, we want to promote innovative and critical projects that use the social sciences, humanities and cultural sciences to address the problems and processes involved in globalisation and thus lay the foundation for future responsible action. The third Albert Ballin Award, worth EUR 50,000, is awarded to organisations that champion networking and communication between people and cultures and that help the victims of globalisation.

In 2018, the awards were presented at a reception hosted by the senate at Hamburg Town Hall. The Doctors Without Borders organisation received the award for its work in conflict zones where local health care structures can no longer meet the needs of the population.

The two Albert Ballin Awards for Globalization Research went to Johanna Beamish and Felix Hadwiger. Taking a historical perspective of globalisation, Johanna Beamish analysed the transit experiences of 19th-century sea passengers – chronicling their hopes and fears, with an eye on internationalism and interculturalism. Felix Hadwiger took a legal perspective to look at how non-state actors can create policies for “legal vacuums” in a globalised world. This involves using the risks and opportunities of non-state standards (“soft law”) as the framework for global economic action.



Hapag-Lloyd also supported Thalia Theater's Hamburg production of "Die dritte Republik" ("The Third Republic") with a donation of EUR 20,000. This play by Austrian playwright Thomas Köck compares modern Europe with Europe at the end of World War I. One of the characters is Albert Ballin, who relates the idea of the nation state to the need for increasing globalisation.

EDUCATIONAL ACTION

Since 2018, Hapag-Lloyd has been contributing EUR 200,000 per year to Kühne Logistics University's new Hapag-Lloyd research institute, the "Center for Shipping and Global Logistics" (CSGL), especially for scientific equipment. Amongst other things, the CSGL researches the topics of digitalisation, sustainability and value creation in the shipping and logistics industry. The partnership also sets up joint events and facilitates dialogue regarding research findings.

ENVIRONMENTAL ACTION

Since 2017, we have been affiliated with OceanCare, an organisation that works to protect marine animals and oceans, and WWF Hong Kong, which champions the protection of nature and animal species. As a result of our discussions with these organisations, we decided to implement a worldwide ban on the transportation of several controversial goods, including shark fins and hunting trophies, for ethical reasons. In doing so, we want to make a long-term contribution to the protection of endangered species and to maintaining biodiversity.

Through our membership of the World Shipping Council (WSC), we continue to work towards establishing the traffic separation scheme off Sri Lanka's southern coast in order to protect blue whales on their migration routes. In December 2018, we supported an International Maritime Organization (IMO) delegation in their tour of the ministries responsible for this project in Sri Lanka.

We are also available as speakers for the German environmental organisations BUND and NABU, contributing our specialist expertise to the benefit of the environment and society.

>>>

OUR EIGHTH SHIPMENT TO HAITI ENABLED US TO CONTINUE OUR SUCCESSFUL PARTNERSHIP WITH ST. MARK SCHOOL (MISSISSAUGA, CANADA) AND SHUTTLE FREIGHT LOGISTICS INC.

We want to continue providing support next year.



“The close cooperation between all involved allowed us to help people in need once more.”

Collin Pacheco,
Account Executive, Sales



We don't leave anything to chance when it comes to our social involvement either.



We develop our best ideas in conversation with each other.

GLOBAL ACTION

Our company and staff are involved in a wide range of social initiatives and projects around the world. In 2018, Hapag-Lloyd supported the “Hope for Haiti” project for the eighth time. The project saw urgently needed school materials and furniture transported to Haiti during the reporting period. In Chiang Mai, Thailand, we provided an orphanage with books as part of the “Build-a-Library”

project. Moreover, our employees took an active part in the “Feed My Starving Children” initiative.

Our staff in the Latin America region are also committed to social topics. For example, in a number of areas there were activities marking International Women’s Day and International Children’s Day.

ACTION AT HOME

In addition to our global activities, we want to make a contribution to our home city of Hamburg and are involved in various local projects. Since 2015, we have been a member of UmweltPartnerschaft Hamburg, an environmental initiative launched in 2003, and have championed efforts to promote voluntary environmental protection among companies in Hamburg.

In 2000, we launched Hamburger Ausbildungs-Netzwerk (HANZ) in partnership with the Otto Group. HANZ prepares secondary school students for apprenticeships. Thanks to the support provided by advisory services and internships, a large number of secondary school students have already obtained entry-level qualifications and been accepted as apprentices at our Company.

Social responsibility is also a way of life for our young professionals. Many of them were involved in our Talent Development Programme and organised joint activities with people with disabilities or with retirement home residents. They also organised a registration drive for potential stem cell donors at our headquarters. The result: 185 employees registered. The health insurer pronova BKK covered the costs of registration.

We have been working with the Gymnasium Johanneum in Hamburg and other schools, including some international schools, for several years now. In 2018, we again worked with these schools to put a number of projects such as internships, career presentations and ship visits into action. The employees who took part were relieved from their own work activities for the duration.

We also contribute to the fields of culture and sport. We expanded our commitment as a partner of Filmfest Hamburg and as the main sponsor of the premier league ice hockey team, the Hamburg Crocodiles, with an additional EUR 10,000 each. In addition to our annual sponsorship of the horse race in Hamburg's Horn district, we also organised events for local clubs and initiatives, such as the Rotary and Lions Clubs, in 2018. Furthermore, various public events were held at our headquarters on Ballindamm in Hamburg. Among them were the "Lange Nacht der ZEIT", talks and concerts. The HLAG rock band also took part in various events and collected money for charities (such as Welthungerhilfe, whose goal is to eradicate world hunger).

INVOLVEMENT IN POLITICAL DISCUSSIONS

Hapag-Lloyd is one of the world's biggest container liner shipping companies and Germany's largest liner shipping company. Ongoing dialogue with politicians at EU, state and municipal levels is therefore absolutely essential for us.

At European Union (EU) level, we are actively involved in the political decision-making process. To ensure that this happens in a clear and comprehensible way, we are listed in the Transparency Register of the European Commission. We want to participate in the formation of sustainable environmental legislation and to bring our stringent Group-wide environmental standards into the industry. In doing so, we want to ensure that our investments in more efficient and environmentally friendly ships does not put us at a competitive disadvantage. Furthermore, we want to prevent a situation whereby modernisations no longer meet newer environmental requirements after just a short period of time. We therefore took charge of a work package from the "Air Emissions from Ships" subgroup of the European Sustainable Shipping Forum within the European Commission in 2017. On the topic of air pollution, we also actively participated in the Searica¹ panel in the European Parliament.

At state and municipal level, we conduct frequent discussions with the City of Hamburg. The city is part owner of Hapag-Lloyd and therefore a central stakeholder in our Company. As part of our accountability obligations, we regularly provide the city with information about the Company's economic performance and our strategic objectives. We communicate our perspectives on infrastructural matters to those involved in policymaking. This includes the expansion of the port, the dredging of the Elbe and the modernisation of rail infrastructure. One of the ways we do this is by publishing a quarterly political newsletter called "Hapag-Lloyd Inside", which is sent out to about 3,000 people involved in politics, associations and chambers.

In 2018, we hosted discussion events involving the managers' group of the Friedrich-Ebert-Stiftung foundation and the CDU Economic Council at our headquarters on Ballindamm. We also organise a parliamentary evening once a year for delegates from the Hamburg Parliament and members of the German Parliament from Hamburg.

¹ Searica = Intergroup on Seas, Rivers, Islands and Coastal Areas

During the course of the year, we also regularly seek out dialogue with the various political parties. Our Chief Executive Officer, Rolf Habben Jansen, is also frequently invited as a speaker to events in the field of politics or those held by politically active associations.

In addition to national political decision-makers, in 2018 we were also able to welcome prestigious foreign delegations, including those from Malaysia, Costa Rica, Bangladesh, Finland and Indonesia. On 4 July, American Independence Day, we hosted a discussion event attended by the US Consul General. We also hosted the President of the Republic of Chile, Sebastián Piñera, with his governmental delegation in October.

REFUGEE COMMITMENT

We have been involved in refugee assistance since 2015, most notably with our “Hapag-Lloyd helps” project. The project is the responsibility of our Corporate Communications department and is organised with the assistance of three student employees. They actively bring together staff, refugees, volunteers, the housing and assistance organisation “Fördern und Wohnen” and the municipal

authorities. Around 30 employees are volunteer mentors to refugees as part of the project. To mark the three-year anniversary of the project in September 2018, the Executive Board awarded many members of staff with a certificate for their commitment.

Hapag-Lloyd is also involved with the Hamburg scholarships, which were awarded by Hamburg’s student services association for the first time in 2018. Hapag-Lloyd finances three of the 18 scholarships, thus supporting people from conflict zones who aim to complete a course with a strong IT focus.

DISASTER AID

In the event of natural disasters, we quickly and efficiently step in to provide free transportation services. In this way, urgently needed aid supplies can reach their destinations as quickly as possible. Our departments in the affected regions coordinate the relevant disaster aid efforts. Aid shipments of this kind must always be approved by the Hapag-Lloyd Executive Board. In 2018, Hapag-Lloyd once again transported food and medicines to aid organisations in Venezuela.



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(Version: GRI Standards 2016; exception GRI 403 (2018))

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* Comprises GRI 103-1, GRI 103-2 and GRI 103-3 (explanation of the material topic and its boundaries, components and evaluation of the management approach)

INDEPENDENT PRACTITIONER'S REPORT

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING¹

To Hapag-Lloyd AG, Hamburg

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ 289b Abs. 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Hapag-Lloyd AG, Hamburg, (hereinafter the "Company") for the period from 1 January 2018 to 31 December 2018 which comprises the sections marked with the acronym NfB in the Sustainability Report 2018 of the Company (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2018 to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Conduct of a site visit with focus on occupational health and safety
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statement and group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 20 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
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